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58TH CONGRESS, }  
2d Session. }

SENATE.

{ DOCUMENT  
No. 151.

INVESTIGATION OF THE POST-OFFICE DEPARTMENT.

# LETTER

FROM THE

# POSTMASTER-GENERAL

IN RESPONSE TO

A SENATE RESOLUTION OF FEBRUARY 5, 1904,  
TRANSMITTING A REPORT RELATING  
TO THE INVESTIGATION OF THE  
POST-OFFICE DEPARTMENT.

FEBRUARY 8, 1904.—Referred to the Committee on Post-Offices and  
Post-Roads and ordered to be printed.

WASHINGTON:  
GOVERNMENT PRINTING OFFICE.  
1904.

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*gratis*

## LETTER OF TRANSMITTAL.

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POST-OFFICE DEPARTMENT,  
OFFICE OF THE POSTMASTER-GENERAL,  
*Washington, D. C., February 6, 1904.*

SIR: I have the honor to acknowledge receipt of the following:

FEBRUARY 5, 1904.

*Resolved,* That the Postmaster-General be, and he is hereby, instructed to send to the Senate the reports upon the investigation of the irregularities in the Post-Office Department, by Assistant Postmaster-General Bristow, together with the reports of Messrs. Holmes Conrad and Charles J. Bonaparte, special counsel for the Government, on the charges made by S. W. Tulloch, formerly cashier of the Washington city post-office.

In response thereto I have the honor to transmit herewith the full report of the honorable Fourth Assistant Postmaster-General, dated October 24, 1903, together with other letters, reports, and communications bearing upon the subject-matter referred to, as set forth in Schedule A.

In the report of the Fourth Assistant Postmaster-General reference is made to certain exhibits. These exhibits are confidential reports of the inspectors of the Post-Office Department, or other papers which, in the opinion of the Attorney-General, should not be made public while the trial of the cases in the courts against various persons under indictment is pending, as they might be availed of to defeat the ends of justice, and therefore such publicity would not be to the public interest.

I further transmit certain papers, reports, letters, and communications, a list of which is embodied in Schedule B, inclosed herewith, relative to the investigation of the administration of the Washington city post-office prior to July 1, 1900, and the connection of the office of the First Assistant Postmaster-General therewith.

The papers transmitted herewith are identical with those sent to the House of Representatives on January 9, 1904.

Respectfully, yours,

H. C. PAYNE,  
*Postmaster-General.*

Hon. WILLIAM P. FRYE,  
*President of the Senate pro tempore.*





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## SCHEDULE A.

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### *Memorandum of the President.*

WHITE HOUSE, November 24, 1903.

Memorandum upon the various papers submitted from the Department of Justice and the Post-Office Department concerning the investigation into the corrupt practices obtaining in the Post-Office Department, notably in the office of the First Assistant Postmaster-General and in the office of the Assistant Attorney-General for that Department. All the documents in the case are herewith forwarded to the Post-Office Department, and will be held ready for submission to the Congress whenever it may choose to ask for them.

It appears that in December, 1902, Postmaster-General Payne and Congressman E. F. Loud, chairman of the Committee on the Post-Office and Post-Roads, held various consultations regarding the postal service, and as a result of these interviews it was determined that as soon as possible after the necessary appropriations could be made by the Congress an investigation should be made of the service, both Messrs. Payne and Loud agreeing as to the need for the investigation and the time when it should take place. Accordingly, an increase of \$5,000 in the appropriation bill reported in January was made for the express purpose of carrying on the investigation in question. The reasons for the increase in the appropriation were known only to the Postmaster-General, to Congressman Loud, and to Congressman Bromwell.

Subsequently, sometime in January, information was laid before me by Mr. Seckendorff tending to show improper conduct by Beavers, general superintendent of the division of salaries and allowances, and Machen, general superintendent of the free-delivery system; and by Mr. William Allen White tending to show corruption by or under Tyner, Assistant Attorney-General for the Post-Office Department. First Assistant Postmaster-General Wynne also informed me that he had become suspicious of the integrity of both Machen and Beavers. After full consultation with Mr. Payne it was decided that Fourth Assistant Postmaster-General Bristow should make a thorough and exhaustive investigation of the charges in question and of all matters that might be developed in connection with them. Mr. Bristow's report is a record of as thorough a bit of investigating work as has ever been done under the Government. After this investigation had been in

progress for about two months it became evident that legal proceedings would have to be undertaken against some of the offenders. Owing to the importance of the case it was deemed advisable that special counsel should be employed, and Messrs. Charles J. Bonaparte and Holmes Conrad were chosen for this purpose. Messrs. Bonaparte and Conrad, in their review of the report of Mr. Bristow, speak as follows: "We consider the report an exceptionally able, candid, and impartial review of its subject-matter and that it shows clearly reprehensible misconduct, amounting in many cases to crime, on the part of a number of public officials. It is a voluminous document, but this arises, not from prolixity, but from the nature of the matters discussed. \* \* \* We heartily commend the report and deem its conclusions fully justified by the facts it sets forth; and while regretting in common with all patriotic citizens that the grave abuses of long standing which it reveals should have grown up in the Post-Office Department, we consider the exposure of these abuses and the attempts made to punish those responsible for them a work of the highest public utility, quickly and ably performed." In all that is thus said of the report of Mr. Bristow I cordially agree.

The investigation made by Mr. Bristow discloses a condition of gross corruption in the office of the First Assistant Postmaster-General and in that of the Assistant Attorney-General for the Post-Office Department. In the case of the superintendent of free delivery, Machen, the evidence shows that his misconduct began immediately after his appointment in September, 1893. In the case of the general superintendent of salaries and allowances, Beavers, it began soon after he was appointed to that place in 1897. In the case of Assistant Attorney-General Tyner it has gone on for a number of years, but it is impossible to say exactly when it began. A melancholy feature of the case is that with one exception all the offenders have been for a number of years in the Government service. The following is a list of the fourteen Post-Office employees in the service at the time this investigation was begun, who are apparently most seriously implicated in the wrongdoing, together with an account of the steps that have been taken by the Government in each case and a statement of the date of original appointment of each man in the service:

(The case of ex-First Assistant Postmaster-General Heath, who left the service July 31, 1900, is set forth in the report of Mr. Bristow.)

James N. Tyner, Assistant Attorney-General for Post-Office Department; appointed special agent, Post-Office Department, March 7, 1861; with intervals of a few years has been in the service ever since, and was Postmaster-General under President Grant for several months; he was removed April 22, 1903; he has since been indicted three times.

A. W. Machen, general superintendent free-delivery system; appointed clerk in post-office at Toledo, Ohio, March 1, 1887; continuously in service ever since save for three years; removed May 27, 1903; has since been indicted fourteen times.

George W. Beavers, general superintendent of salaries and allowances; appointed to clerkship in New York post-office January, 1881; continuous service ever since; resignation accepted to take effect March 31, 1903; has since been indicted eight times.

James T. Metcalf, superintendent money-order system; appointed post-office inspector February 2, 1882; has been in postal service ever since; removed June 17, 1903; has been indicted once.

Daniel V. Miller, assistant attorney, Post-Office Department; appointed July 1, 1902; removed May 25, 1903; indicted once; after one mistrial was retried and acquitted.

Louis Kempner, superintendent registry system; appointed clerk in New York post-office August, 1886; removed October 21, 1903.

Charles Hedges, superintendent city free-delivery service; appointed assistant superintendent free-delivery service July 1, 1898; removed July 22, 1903.

James W. Erwin, assistant superintendent free-delivery service; appointed post-office inspector June 27, 1887; removed September 16, 1903; indicted once.

W. Scott Towers, superintendent Station C, Washington, D. C.; appointed clerk, Washington post-office, November, 1890; removed October 1, 1903; indicted three times.

Otto F. Weis, assistant superintendent registry division, New York post-office; appointed clerk, New York post-office, June, 1890; removed October 21, 1903.

T. W. McGregor, clerk, free-delivery division, in charge of supplies; appointed Post-Office Department, March 11, 1891; removed June 5, 1903; indicted twice.

C. E. Upton, clerk, free-delivery division; appointed July 1, 1900; removed June 5, 1903; indicted once.

M. W. Louis, superintendent supply division; appointed Kansas City post-office, April 17, 1897; removed October 21, 1903.

Charles B. Terry, clerk, supply division; appointed September 20, 1900; removed October 21, 1903.

As shown in Mr. Bristow's report, and as partially indicated by the actions in the several cases, these cases show widely varying degrees of culpability.

Among outsiders indictments have also been found against—

H. J. Barrett, formerly in the Post-Office Department from May 11, 1889, to September 20, 1893, and from June 1, 1897, to December 31, 1900;

George E. Green;

Diller B. and Samuel A. Groff;

William C. Long, formerly in the Post-Office Department from April 17, 1890, to August 15, 1893;

Isaac S. McGiehan;

George H. Huntington;

George E. Lorenz, formerly postmaster at Toledo, Ohio, from August 3, 1886, to July 9, 1890;

Martha J. Lorenz;

John T. Cupper;

H. C. Hallenbeck;

W. D. Doremus;

Eugene D. Scheble;

William G. Crawford, Deputy Auditor Post-Office Department from June 12, 1893, to September 15, 1897;

Maurice Runkle;



Norman R. Metcalf;  
 Leopold J. Stern;  
 Edmund H. Driggs;  
 George F. Miller;  
 Joseph M. Johns.

Several of the above have been indicted two, three, or five times each.

The three chief offenders in the Government service were Tyner, Machen, and Beavers. The friends of Tyner have advanced the theory that in his case the chief offender was really his nephew by marriage, Barrett, who was his assistant in the office for a part of the time, and that Tyner's offenses are due to his failing bodily and mental powers. The facts set forth in Mr. Bristow's report do not tend to substantiate the validity of these excuses for Tyner, while they show literally astounding misconduct in Barrett. For Machen and Beavers no excuse of any kind has been alleged. In the case of Metcalf, the superintendent of the money-order system, the most vigorous protests were at first made on his behalf by a large number of reputable citizens, and also by others who were at the time deemed reputable, but who it has since been discovered were profiting by Metcalf's misconduct. One of them has been indicted in connection with him. When these investigations were begun, some nine months ago, many of the chief offenders who have been indicted or dismissed, or both, as above enumerated, were considered to have excellent reputations. A number of the most respectable people in the land offered voluntary testimony on behalf of Mr. Tyner. So highly were Messrs. Beavers and Machen thought of by those who had been brought into close connection with them that the Congress actually provided at its last session for raising the salaries of both, the salary in each case being increased \$500, to take effect at the beginning of the fiscal year on July 1 last. By that date they were both out of office, and the Department of Justice was taking steps to have them indicted. During Machen's term of service he was twice investigated by the Congress, once by a committee of the Senate and once by a committee of the House, but cleared on each occasion. Yet at that very period, as has been shown in the present investigation, he was engaged in the corrupt business for which he has now been removed and indicted. This is no reflection upon the committees who conducted the investigation; for so skillfully had Machen concealed his wrongdoing that it was only revealed after months of laborious and exhaustive work by trained inspectors.

The details of the corruption are set forth in full in Mr. Bristow's report and need not be recapitulated by me. As regards Messrs. Beavers and Machen, the corruption took the form of bribery and blackmail in connection with the purchase of Government supplies. In the office of the Assistant Attorney-General for the Post-Office Department, under Tyner and Barrett, far greater wrong was inflicted upon the public than could be measured by a pecuniary standard, for in this office the corruption of the Government officials took the form of favoring get-rich-quick concerns and similar swindling schemes; in other words, the criminals, whom it was the sworn duty of these Government officials to prosecute, paid them for permission to fleece the public unmolested.

I heartily approve of the recommendation of Messrs. Conrad and Bonaparte that the statute of limitations be extended in the case of Government servants to a period of at least five years; for the persons who in such positions of trust engage in corrupt practices can ordinarily conceal their guilt for a longer time than is covered by the present short statute of limitations. This recommendation has been laid before the Congress in the report of the Attorney-General, and it is earnestly hoped that it will be acted upon favorably. Moreover, our experience shows that outsiders claiming political influence sometimes sell their influence to candidates for office, or in other words blackmail these candidates. There should be legislation which will permit of summary dealing with such offenders.

However, the prime need is not new legislation but the punishment of those who offend against existing laws. The Post-Office Department is making certain changes in the methods of administration, notably in the method of inspection, by which the service will be improved and the chance of corruption existing without discovery be minimized; but the only way to meet the real evil is to punish the offenders, by removal in any event, and where possible by prosecution under the criminal statutes. In any great business, public or private, wrongdoing is certain at times to occur. The way to guard against it is rigorously to scrutinize the character of those appointed, carefully to supervise their actions after appointment, and finally, to punish with relentless severity those who go wrong. All this is being done.

The immediate reformation of the service by the turning out of the offenders is not in itself enough to meet the demands of justice. The cases against both those within and those without the Post-Office Department, who by their acts have brought themselves within the grasp of the law, will be pushed with the utmost vigor. Every effort must be made to see that both the delinquent official and the outsider who shares his guilt are punished to the limit of the law. In pursuance of this policy the individuals above enumerated have been indicted. In no case has the indictment been sought save where the officials of the Government were convinced of the man's guilt; and in every case the Government will exhaust every expedient in its power in the effort to see that justice is meted out to the offenders. Those in the public service whose duty it is must ever be vigilant in the detection of wrongdoing, fearless in its exposure, relentless in its prosecution; but in the last resort, when everything which the public official, whether legislator, judge, or executive officer, can do has been done, it remains for the jury, drawn from the people and representing the people, to do even-handed justice, shielding the innocent, but declining to be misled by any plea into refraining from punishment of the guilty.

No crime calls for sterner reprobation than the crime of the corruptionist in public life, and of the man who seeks to corrupt him. The bribe giver and the bribe taker are equally guilty. Both alike sin against the primary law of the State's safety. All questions of difference in party policy sink into insignificance when the people of this country are brought face to face with a question like this, which lies at the root of honest and decent government. On this question, and on all others like it, we can afford to have no division among good citizens. In the last resort good laws and good administration alike

must rest upon the broad basis of sound public opinion. A dull public conscience, an easy-going acquiescence in corruption, infallibly means debasement in public life, and such debasement in the end means the ruin of free institutions. Self-government becomes a farce if the representatives of the people corrupt others or are themselves corrupted. Freedom is not a gift which will tarry long in the hands of the dishonest or of those so foolish or so incompetent as to tolerate dishonesty in their public servants. Under our system all power comes from the people, and all punishment rests ultimately with the people. The toleration of the wrong, not the exposure of the wrong, is the real offense.

THEODORE ROOSEVELT.

*Report of Fourth Assistant Postmaster-General J. L. Bristow on the investigation of certain divisions of the Post-Office Department.*

OFFICE OF THE FOURTH ASSISTANT POSTMASTER-GENERAL,  
Washington, October 24, 1903.

SIR: As directed by you on March 7, 1903, I have endeavored to make a thorough investigation of the alleged irregularities in the following-named divisions of the Post-Office Department: The Division of Supplies, the office of the Assistant Attorney-General, the Division of Money Orders, the Division of Free Delivery, and the Division of Salaries and Allowances, and I beg to submit the following report:

**DIVISION OF SUPPLIES.**

In the charges affecting the division of supplies it is alleged that Michael W. Louis, superintendent, was appointed in an irregular manner; that in the awarding of contracts he has shown partiality to certain bidders; and that in the administration of his office he has favored contractors, to the great loss of the Department. (Exhibit A.)

During the progress of the investigation it was also alleged that there had been great extravagance in the purchase of manifold books used in the registry system.

**APPOINTMENT OF MICHAEL W. LOUIS.**

It has been stated that Louis's appointment was made in an irregular way for the purpose of giving him control of the division of supplies during the letting of contracts for the fiscal year beginning July 1, 1897.

Mr. W. A. Burwell was appointed superintendent of this division on February 4, 1896. The position is within the classified service, and it does not appear that any complaints were ever filed against him. On April 15, 1897, he was requested to resign by the First Assistant Postmaster-General, but was not accused of inefficiency or misconduct. He submitted his resignation, to take effect in thirty days (Exhibit A-1), and was given leave of absence for that period.

In relation to the appointment of Louis, I beg to submit the following letter (Exhibit A-2):

In your reply please refer to initials.  
Subject: Cashier.

POST-OFFICE DEPARTMENT,  
OFFICE OF THE FIRST ASSISTANT POSTMASTER-GENERAL,  
SALARY AND ALLOWANCE DIVISION,  
Washington, D. C., April 17, 1897.

POSTMASTER, Kansas City, Mo.

SIR: Certain exigencies have arisen which make it necessary to employ an expert in the Post-Office Department for a short period. As the Department has no appro-



priation available for this purpose, I have decided to create the position of cashier in the Kansas City office, at a salary of \$2,000 per annum, effective this date, Saturday, April 17, 1897.

You will therefore carry upon your roster Mr. Michael W. Louis as cashier of your office, at a salary of \$2,000 per annum, Mr. Louis to be assigned to work in this Department under my direction until otherwise advised.

You will forward on the 1st and 15th of each month a check to Mr. Louis to cover his semimonthly salary, accompanied by a voucher which will be returned to you for file with your pay roll in lieu of his signature upon same.

To provide for the position your clerk hire allowance has been increased to-day to \$90,544.

Very respectfully,  
(Signed)  
COL—ECF]

PERRY S. HEATH,  
*First Assistant Postmaster-General.*

In your reply please refer to initials and number. A. S. 140.  
Subject: Appointment of Michael W. Louis.

POST-OFFICE DEPARTMENT,  
OFFICE OF THE FIRST ASSISTANT POSTMASTER-GENERAL,  
SALARY AND ALLOWANCE DIVISION,  
Washington, D. C., April 17, 1897.

*Personal.*

HOMER REED, Esq.,  
*Postmaster, Kansas City, Mo.*

SIR: As the appointment of Mr. Michael W. Louis has been fully explained to the members of the Civil Service Commission, it will not be necessary for you to make a report of the appointment to the Civil Service Commission.

Very respectfully,  
(Signed) PERRY S. HEATH,  
*First Assistant Postmaster-General.*

On the same day that Louis was appointed cashier in the Kansas City post-office he was assigned as acting superintendent of the division of supplies in the Department at Washington, D. C. He never visited Kansas City and never performed any work of any character in connection with the Kansas City post-office.

After Louis had been installed as acting superintendent the First Assistant Postmaster-General requested that the position of superintendent be excepted from the classified service, but the Civil Service Commission refused to recommend such exception. They did, however, consent to give a special examination for that position. This examination was held in July, and Louis was allowed a rating of 50 points because of his alleged experience, he having then been in charge of the division about three months. The examination papers can not now be found, having disappeared from the files of the Civil Service Commission (Exhibit A-3). As a result of the special rating, Louis received the highest grade of any of those examined, and was given a permanent appointment. In the meantime, however, he had been in charge of the division of supplies since April 17, and had performed all of the duties of superintendent.

This unusual proceeding in the appointment of Louis as cashier of the Kansas City post-office and his immediate assignment as acting superintendent of the division of supplies gives color to the allegation that there was some special interest in having Louis placed in charge of that division before the letting of contracts, advertised for May 6. It would have been much more creditable, at least, for Louis to have come into possession of the office in a regular manner, after he had passed the examination prescribed by the Civil Service Com-

mission, since there does not appear to have been any pressing necessity for a change of superintendent.

An advertisement was published on April 5, 1897, announcing that bids would be received at the Department until May 6 for supplies for the postal service for the fiscal year 1897-98.

#### CONTRACT FOR CANCELING INK.

For a number of years prior to July, 1897, the Caton Manufacturing Company, of Baltimore, of which Victor G. Bloede was president, had the contract for furnishing the Department with canceling ink. This company was a bidder at the 1897 letting and failed to secure the contract. Their bid was 20 cents per pound, but the Ault & Wiborg Company, of Cincinnati, Ohio, was given the contract at 24 cents per pound, 4 cents higher than offered by the Caton Manufacturing Company.

This led to a most vigorous complaint and protest from Bloede, who charged that he had not been fairly treated and that the contract had been given to the Ault & Wiborg Company at a much higher price than his bid because of the friendship existing between the officers of that company and the First Assistant Postmaster-General and the superintendent of the supply division. As a result of this complaint an investigation was ordered by the Postmaster-General, which was made by Inspectors John D. King and William S. McGinniss.

I carefully examined the report of Inspectors King and McGinniss and all of the exhibits submitted therewith and had the case reopened and reinvestigated by Inspectors J. R. Harrison and A. E. Furniss, whose report and all papers in connection therewith, which include the reports and exhibits of Inspectors King and McGinniss, are herewith submitted, marked "Exhibit B".

On May 3, 1897, a committee consisting of M. W. Louis (chairman), E. C. Fowler, and Clarence E. Dawson was appointed to open bids, examine samples, and award contracts for the ensuing fiscal year. The awarding of the contract for canceling ink came before this committee.

The committee does not appear to have made any tests as to the quality of the various samples of ink. The former practice of the Department had been to send samples of the ink to postmasters to be tested in their respective offices by practical experiment. This plan, however, does not seem to have been followed at this letting, and there is abundant evidence that the samples furnished by the Caton Manufacturing Company were returned to the company without having been opened (Exhibits B-2, B-5, and B-6).

Superintendent Louis states that the contract was awarded to the Ault & Wiborg Company largely upon the reputation of the firm (Exhibit B-4, questions 27 and 28). Louis was very severe in his criticism of the quality of the ink furnished by the Caton Manufacturing Company, declaring that it was practically worthless. After the committee had decided in favor of the Ault & Wiborg Company's ink, but before such awards had been approved by the Postmaster-General, Louis wrote a number of letters of commendation of the new ink that was to be furnished. On June 14 a letter to the Second Assistant Postmaster-General, bearing Louis's initials, states:

The Department will furnish during the ensuing fiscal year ink and pads superior in every respect to such supplies furnished during the present fiscal year.

Numerous other letters of a similar tone were written.

There were 6,471 pounds of the Caton Manufacturing Company ink on hand at the close of the fiscal year ended June 30, 1897. Yet after the contract with this company had expired a further purchase of 2,555 pounds was made of the same ink which had been pronounced worthless. Louis states that this order was given by the First Assistant Postmaster-General as a matter of accommodation. If the ink was worthless and unfit for use, the purchase should not have been made. If it was satisfactory as a canceling ink, it should have been given more consideration at the letting.

The first shipment of the Ault & Wiborg Company's ink was received at the Department August 25, 1897. This ink, however, does not appear to have been satisfactory, and its inferior quality seems to have been brought to the attention of a representative of the firm by Superintendent Louis, as indicated by the following letter, written by the First Assistant Postmaster-General:

POST-OFFICE DEPARTMENT,  
FIRST ASSISTANT POSTMASTER-GENERAL,  
DIVISION OF POST-OFFICE SUPPLIES,  
*Washington, November 12, 1897.*

THE AULT & WIBORG COMPANY,  
*Cincinnati, Ohio.*

GENTLEMEN: In conversation a few days ago with Mr. M. W. Louis, superintendent of the Division of Post-Office Supplies, you mentioned the fact that you were preparing an ink that would dry quickly on paper but not on the pads. If you have such an ink now on hand, you are requested to ship at once to this Office one case of same put up in half-pound cans. You will be given credit for the shipment on account of Order No. 176, the remainder of which you will hold until further directed.

Respectfully,

(Signed) PERRY S. HEATH,  
*First Assistant Postmaster-General.*

MWL.]

On December 6 a letter initialed by Louis and signed by the First Assistant Postmaster-General, addressed to the superintendent of the railway mail service at Fort Worth, Tex., states (Exhibit A-4):

The first shipment of ink received from the manufacturer has not proved as successful as desired. When the second order was made the manufacturer set about making experiments, the result of which he claims has been to obtain a superior quality of ink for canceling purposes.

On December 10 the following letter, bearing Louis's initials, was addressed to the company:

POST-OFFICE DEPARTMENT,  
FIRST ASSISTANT POSTMASTER-GENERAL,  
DIVISION OF POST-OFFICE SUPPLIES,  
*Washington, December 10, 1897.*

THE AULT & WIBORG COMPANY,  
*Cincinnati, Ohio.*

GENTLEMEN: The Department has on hand about 15,000 pounds of canceling ink, the greater portion of which is of your manufacture, the remainder of the Caton Manufacturing Company.

This ink is too sticky for the purpose for which it was intended, having been contracted for when the requirements for this article were unknown. The Department desires to know if you can take this ink and work it over to possess the qualities of the ink last ordered from you, viz., nondrying on the pad and quick drying on the envelope when stamped. Please state what your charge per pound for doing this would be, you to pay the freight and charges from Cincinnati to Washington. The packages are put up in the same manner and proportion as you have furnished them heretofore.

By giving this your early attention you will greatly oblige.

Yours, very respectfully,

(Signed) PERRY S. HEATH,  
*First Assistant Postmaster-General.*

MWL.]

Up to December 10, 20,000 pounds of the Ault & Wiborg ink had been received. It would appear, therefore, from the letter quoted above, that the Ault & Wiborg ink which had been distributed was of unsatisfactory quality.

The entire amount of ink purchased by the Department during the fiscal year 1896-97 was 21,600 pounds. Yet, when but five months of the fiscal year 1897-98 had expired, there had been purchased from the Ault & Wiborg Company 20,000 pounds, which does not seem to have been satisfactory; and Louis, in his letter of December 10, inquires of the company what it will charge for reworking its own ink so that it will be fit for use, ink which had been purchased by the Department at an excessive price because of its supposed superior quality.

#### INK DESTROYED.

A part of the ink purchased by the Department during the fiscal year 1897-98 appears to have been destroyed by burning under the boilers of the building in which the supply division is located and by carting to the city dump on M street. A large amount of ink was burned in the furnaces until the engineer complained that it was injuring the boilers and refused to permit any more to be burned. It was then that a large quantity was carted out to the dump; and unopened cans, not only of the Caton Manufacturing Company's ink, but of the Ault & Wiborg ink, were picked up by negroes and by representatives of the competing firms who had been disappointed in the letting. This appears clearly established in Exhibits B-7 and B-8.

Louis states that ink so destroyed or thrown away was that which had been opened and found to be useless; but this is not borne out by the testimony, as a large number of unopened cans of the Ault & Wiborg ink were found at the dump, and others were broken open at the supply division and contents poured into barrels. Quantities of the Caton Manufacturing Company's ink also were destroyed in the same manner. In this connection I desire to invite your attention to the statements of George O. Preston, Joseph E. Graves, and Joseph A. Bogan (Exhibit B-9).

Preston says that he received orders from Louis to destroy a large quantity of ink that was on hand, a considerable portion of which was in unopened cans. Joseph A. Bogan and Joseph E. Graves state that they were present and heard Louis give such orders to Preston. Graves stated to the inspectors that he was instructed to destroy a quantity of ink, and that he complied with the instructions by opening the cans and pouring the ink into a barrel; that Louis ordered him, while engaged on the work, to use a hatchet in opening the cans, so as to expedite the matter. Graves further says that a portion of the unopened ink so destroyed was the Ault & Wiborg Company's ink.

This wanton destruction of ink that had been paid for by the Department as "superior" ink shows a reckless and almost criminal disregard for the interests of the Government.

Louis asserts that Preston is unfriendly to him and made such statements from improper motives. Preston, however, is corroborated by Graves and Bogan, and there is no evidence other than Louis's denial to indicate that they have in any way misrepresented the facts.

During the fiscal year ended June 30, 1898, 59,948 pounds of ink were purchased from Ault & Wiborg Company, and 2,555 pounds

from the Caton Manufacturing Company; and at the beginning of the fiscal year there were 6,471 pounds on hand. Deduct from this 10,000 pounds purchased from Ault & Wiborg, but not delivered until after the beginning of the next fiscal year, 7,956 pounds, the balance on hand June 30, 1898, and 51,018 pounds remain as the amount to be accounted for during the fiscal year, almost two and a half times as much as was consumed during the preceding fiscal year.

The cost of canceling ink for the preceding year was \$4,302.65; for the year under consideration it was \$14,387.52, leaving a net excess of cost of canceling ink for the fiscal year ended June 30, 1898, over that ended June 30, 1897, of \$10,084.87. Louis claims that "the excess of expenditure was due to the necessity of reequipping the entire service with the new and 'superior' ink;" but there appears to be no evidence that the ink was in any way superior to that furnished by the Caton Manufacturing Company. And the above statement, therefore, seems to be more of an excuse than a reason for this lavish expenditure.

There also appear to have been many excessive and unnecessary shipments of ink to various post-offices. To illustrate, there were shipped to—

Bristol, Tenn.:	Pounds.
Fiscal year ended June 30, 1896 .....	8
Fiscal year ended June 30, 1897 .....	4
Fiscal year ended June 30, 1898 .....	20
Carthage, Mo.:	
Fiscal year ended June 30, 1897 .....	4
Fiscal year ended June 30, 1898 .....	26
Greensboro, N. C.:	
Fiscal year ended June 30, 1896 .....	8
Fiscal year ended June 30, 1897 .....	8
Fiscal year ended June 30, 1898 .....	44

Such shipments indicate either a deliberate purpose to dispose of an excessive quantity of ink or an utter incapacity in administration.

On July 2, 1898, a more orderly way of destroying the ink was adopted. Louis on that date addressed a letter to the chief clerk of the Department, requesting the appointment of a committee to dispose of a quantity of ink "condemned by postmasters and returned to the Department. This ink is considered absolutely worthless." And again, on October 5, 1898, he addressed the following letter to the First Assistant Postmaster-General:

I have the honor to report that during the past three months a large number of cans of canceling ink, condemned and returned by postmasters to the Division of Post-Office Supplies, has accumulated and is occupying much-needed space. I would respectfully request that you appoint a committee to dispose of this ink in such manner as they may see fit to recommend.

As a result of this letter, on October 10, George M. Allen, D. P. Leibhardt, and J. H. Robinson were appointed a committee for that purpose, who recommended the destruction of the ink, which recommendation was approved by Acting Postmaster-General Heath. A large part of this ink was of the Ault & Wiborg make, for which the Department had paid an excessive price because of its alleged "superior" quality.

#### USE OF PENALTY LABELS.

Large quantities of unsatisfactory Ault & Wiborg ink were returned to the company by registered mail, free of charge, for reworking.

Penalty labels also were sent to the company so that it could reship the ink to the Department without cost. This action seems to have been unprecedented, and, as far as can be ascertained, was a favor extended to this company only. The Caton Manufacturing Company was required to send men to Washington at its own expense (Exhibit B-4) for the purpose of cleaning and resealing its leaky cans, and there is no reason why Ault & Wiborg should not have been required to do the same, or, if their ink was returned to them, it should have been at their expense. In this connection attention is invited to the following extracts from letters addressed to the Ault & Wiborg Company, January 4 and 8, 1898, bearing Louis's initials, and signed by the First Assistant Postmaster-General (Exhibit A-5):

I wrote you yesterday regarding empty cans and boxes for the ink that had leaked and made it impossible for the Department to ship it to postmasters. I find that it will be impossible for this office to undertake to put this ink in shape. The boxes are in such a condition that they can not be handled, and have therefore been thrown away. I will ship the cans to you by mail, so that you can replace or refill them in order that they may be transported safely from here. I will also send you franks, under which you can send packages of any size by mail to this Department, thus saving to you the freight or express charges which otherwise would be incurred in returning this ink. Will advise you by letter as soon as the shipment is made.

Referring to my former communication concerning leakage caused by a number of the boxes having been broken when received, you are informed that I have this day forwarded to you by mail three cases, containing 460 half-pound cans, which were received in bad condition. In replacing this shortage it will not be necessary to furnish the ink in half-pound cans, as the Department will be satisfied to receive 230 pounds of ink put up in sizes most convenient to yourselves. I inclose herewith free penalty labels, which you can use in sending the ink to this office. If more labels are needed, please inform me.

The superintendent of mails at New York City, on May 26, 1898, and again on July 11, 1898, complained of the character of the Ault & Wiborg ink (Exhibit B-16). As a result of this complaint Ault & Wiborg ink, style No. 3, was ordered, leaving on hand, however, 1,000 pounds of the original shipment of the Ault & Wiborg ink. In connection with the exchange of this useless ink I submit the following letter:

POST-OFFICE DEPARTMENT,  
FIRST ASSISTANT POSTMASTER-GENERAL,  
DIVISION OF POST-OFFICE SUPPLIES,  
*Washington, April 13, 1900.*

THE AULT & WIBORG COMPANY,  
*Cincinnati, Ohio.*

GENTLEMEN: The following is a copy of a letter received from the postmaster at New York, N. Y.:

"I have to invite your attention to the fact that 1,000 pounds of Ault & Wiborg canceling ink, which was condemned some years ago, is still at this office, and to request that you advise me as to what disposition shall be made of same, as it occupies space which is very much needed."

This ink is from the first lot furnished by you, and the Department desires to know if you will kindly exchange it for a like quantity of the kind now being furnished, namely, "The Ault & Wiborg No. 3." If this can be done the 1,000 pounds will be forwarded by mail from the New York office, and that with which you replace it can be delivered to the postmaster at your city, so that there will be no expense for transportation. Your compliance with this request will be appreciated.

Respectfully,

(Signed) PERRY S. HEATH,  
*First Assistant Postmaster-General.*

WLKB]

Even ink No. 3, however, which seems to have been an improvement on inks Nos. 1 and 2, formerly furnished, was not entirely satis-

factory, as shown by the following letters selected from the numerous complaints on file in the supply division (Exhibit B-15):

JEPHTHA, GA., *June 20, 1901.*

In regard to the Ault & Wiborg ink No. 3, I have tried that ink and it don't give satisfaction. It is so gummy that you can't keep the type clean.

OAK PLAIN, TENN., *August 31, 1901.*

The canceling ink of Ault & Wiborg No. 3 we have I pronounce a failure. It clogs, glazes over, and acts more like paint than ink; hence poor impressions. If you have an ink that is any good please send it and oblige.

TRILLA, ILL., *September 3, 1901.*

I received the ink. This Ault & Wiborg ink No. 3 is no good. It soon hardens the pad and is too sticky. I think they have too much glue in it.

TULIP, MO., *September 9, 1901.*

We think the fault is in the ink; it is too thick and gummy.

TEXAS CITY, ILL., *September 9, 1901.*

My greatest trouble in getting clear impressions is in the ink. It seems to be too thick. I sometimes put some coal oil on the pad, but it doesn't seem to do much good. My pad has also become more or less glazed on top.

PRICE, MISS., *October 1, 1901.*

The inferior stamping is the fault of the ink. It is more like train oil than anything else. Only one application will make the ink pad as hard as wood.

#### LETTING FOR THE FISCAL YEAR 1898-99.

The committee on awards for the fiscal year 1898-99 was composed of M. W. Louis, W. M. Mooney, and L. S. Elmer. Mooney seems to have been on friendly terms with Louis up to the time of this letting. He was made chairman of the committee at Louis's suggestion. Soon after the consideration of bids began, a difference arose between Louis and Elmer in regard to the contracts for twine and ink. Mooney supported Elmer's views of the matter, and as a result there was continual friction in the committee. Mooney and Elmer state (Exhibits B-10 and B-11) that Louis was apparently anxious that the Ault & Wiborg Company should again be awarded the contract for ink, and the Ault Wooden Ware Company of Cincinnati, Ohio, should be given the contract for twine; and that they were not willing to agree to this unless it should appear after a fair test of the samples that such companies were entitled to the contract on the merits of their goods.

Mooney and Elmer proposed to submit samples of ink to a number of post-offices throughout the country for the purpose of testing its qualities. This proposition was strenuously opposed by Louis. The second proposition of Mooney and Elmer was that the different samples should be submitted to the Washington City post-office for testing; and to this Louis objected. Finally it was agreed that the inks should be tested in the Supply Division. Fifteen samples were submitted by the various bidders. A key to these samples was constructed by Warren Dent, a colored messenger of the Supply Division, who was the only person supposed to have any knowledge of the key; but during the progress of the letting it appears that W. C. Long, a bidder on other articles, secured a copy of the key and handed it to Elmer. It further appears that after knowledge of the key there was no difficulty in determining to whom the various samples belonged. Mooney and Elmer state that they had no knowledge of the key until

it was presented to them by Long. Mooney says that First Assistant Postmaster-General Heath was in the room several times where the committee met and took quite an interest in the work of the committee. Louis states that he never saw the samples nor the key during the letting, but that Mooney was in the room where the samples were kept. In relation to this, Dent, the messenger, says (Exhibit B-12):

The samples were placed in the bottom part of a filing case in the room which was occupied by the award committee, and the room was locked and the key in my custody. Each can of ink bore the label of the manufacturer, and also the letter which I assigned to it. When Mr. Anderson tested the inks, I furnished him with ink. I was very careful not to disclose to him, or to anyone else, the name of the manufacturers of the various samples. After the tests had proceeded for some days and several of the samples had been found unfit for use, Mr. Louis came to me and requested me to accompany him to the room in which the samples were locked. When we reached the room, he asked me where I kept the samples of ink. When I explained that they were in the closet he instructed me to get them out, which I did. He then examined several of the cans and instructed me to return them to the closet. Mr. Louis was the only member of the award committee who at any time asked me about the samples of ink. On one occasion Mr. Mooney was in the room. He sat at a table writing letters, but I am confident that he did not see the samples of ink. As a matter of fact, he did not know where the samples of ink were kept.

Upon inquiry as to why Dent was given custody of the key to these samples, Louis, in a statement (Exhibit B-13) says that he had found Dent to be "absolutely reliable."

The fact that knowledge of the key was secured by outside parties indicates that the whole system of testing was a farce.

The committee was unable to agree upon a recommendation for ink, and another committee was appointed. The second committee consisted of Messrs. Alexander Grant, George W. Beavers, and C. E. Dawson. This committee was appointed June 27, 1898. Its final report on ink was not filed until March 15, 1899, though it appears to have been written September 3, 1898. Only the signatures of Dawson and Beavers appear on the report. Grant says he signed a report with a recommendation, but that part which he signed appears to have been cut out from the report and a sheet substituted, signed only by Beavers and Dawson, who made the following recommendation (Exhibit A-6):

After careful consideration and in view of the decision of the Acting Assistant Attorney-General that the Postmaster-General is not required to advertise for canceling ink, we respectfully recommend the rejection of all bids therefor, and that the supply as needed from time to time be purchased in open market, with sufficient competition to insure the best ink at the lowest price, and that the firm from which the ink may be purchased be required to furnish the same in lots of 5,000 pounds, or more, if desired by the Department, to be put up in such quantities as the Department may direct.

The opinion of Acting Assistant Attorney-General Barrett (Exhibit B-14) was submitted on December 20, 1898, in which it was held that the Postmaster-General was not required by the law to purchase canceling ink by contract, but could buy the same in the open market. As a result of the disagreement of the first committee, and upon the recommendation of Beavers and Dawson, based upon the opinion of Barrett, Louis was permitted, from March, 1899, until the beginning of the fiscal year 1902-3, to buy canceling ink from the Ault & Wiborg Company in the open market at 30 cents per pound, 6 cents more than their last competitive bid, 10 cents more than the Department paid before Louis became superintendent of the division, and from 4 to 9 cents higher than the present price.



## INKING PADS.

In the letting of the contract for inking pads for the fiscal year beginning July 1, 1898, there were seven bidders. The bids of Herman Baumgarten and W. C. Long impressed the committee most favorably. Baumgarten submitted three samples of different quality, at 12, 14, and 16 cents per pad. Long submitted five samples, the cheapest being 15 cents per pad. The committee rejected the 12-cent sample of Baumgarten's because it was of an inferior quality and decided in favor of the 14-cent pad, the next lowest in price.

At the next meeting of the committee Louis informed Mooney and Elmer that Herman Baumgarten had called upon him and stated that he could not recommend the 14-cent pad, as it was of poor quality. On this information the committee awarded the contract to W. C. Long, of Washington, D. C., at 15 cents per pad. Baumgarten declared that he had no such conversation with Louis, and that his 14-cent pad was a better pad than Long furnished (Exhibit B-18).

Louis admits that he made such statements to the committee, and as a result the contract was awarded to Long, who says (Exhibit B-17):

I had a talk with him (Louis) on Decoration Day in my office, No. 1314 F street. During this conversation he told me the pad contract had been given to Mr. Baumgarten, but that he would give me an order for 1,000 pads at any time I wanted it. The next day at noon he came back to my office and told me that he had had a talk with Mr. Baumgarten and found that his pads did not come up to what he expected, and that he had asked the committee to set aside that award and give the pad contract to me, which was done, at 15 cents per pad.

Long was not a manufacturer of pads, so he bought the pads which he furnished the Department from Baumgarten for 12½ cents each. Baumgarten says the pads he furnished Long were not as good a quality as those he offered for 14 cents.

There were 65,000 pads bought during the year, upon which Long received a net profit of \$1,625, and the Department was furnished an inferior grade of goods. This loss seems to be chargeable directly to the false statements of Louis.

## METHOD OF ISSUING INK AND PADS.

The method of issuing canceling ink and pads merits consideration.

Numerous complaints are received at the Department from the Commissioner of Pensions relative to the poor impression of postmarking stamps upon pension vouchers. As a result of these complaints, a circular was prepared for the instruction of postmasters at fourth-class offices. These circulars were distributed to the various pension agents, who, in turn, forwarded them to such postmasters as failed to exercise proper care in postmarking vouchers. The circular instructs the postmaster to affix the imprint of his postmarking stamp on the same and return it to the First Assistant Postmaster-General. When this circular reaches the supply division, the impression of the postmarking stamp thereon is used as a basis to determine the necessity for furnishing canceling ink or pad. The inspectors counted 6,000 of these circulars, and found that 50 per cent of them had been used as orders for new ink and pads.

That no judgment was used in forwarding supplies in this manner is demonstrated by Exhibit B-19, which consists of 150 of these circulars upon which ink and pads were sent out, and with few exceptions the

postmarks upon the circulars are perfectly clear and legible, showing the absurdity of the claim that new ink and pads were necessary.

In some instances the circulars were not postmarked at all, yet a new outfit of ink and pad was furnished the postmaster. This unwarranted and wasteful method of furnishing supplies resulted, in many instances, in duplication, as shown by the following letters on file in the supply division (Exhibit B-20):

COLUMBIA, OKLA., *March 17, 1903.*

I have now on hand three cans of canceling ink, enough to last this office for four years. Also have two pads that have never been used. I have never ordered any of them.

BLOCK, KANS., *March 27, 1903.*

The last inking pads and ink I did not need. Just got a supply.

BOLARVILLE, OHIO, *April 1, 1903.*

You sent me two pads and two cans of ink. Will I keep last pad and ink or return it? I hold same for reply.

WATT, OHIO, *April 6, 1903.*

This is the second time you sent me a new pad and ink in the last thirty days. I did not order the last, but I will take care of it until I do need it.

CEMENT CITY, MICH., *April 11, 1903.*

Through some mistake you have sent this office the same supplies twice. I have no need of so many. Shall I return them to the Department?

Numerous other letters of a similar character have been received.

When the edition of the Postal Laws and Regulations of 1902 was mailed, a receipt, properly postmarked, was required from each postmaster. These receipts were used for the same purpose as the pension circulars, and quantities of ink and pads were issued on the appearance of the postmark. Such business methods indicate either an utter lack of capacity for administration, or a willful and deliberate purpose to increase the consumption of ink and pads for the benefit of the contractors.

#### WRAPPING TWINE.

The committee on awards for the fiscal year beginning July 1, 1898, also disagreed as to the awarding of the contract for twine. There were five bidders for twine: William A. Wheeler, jr., at 6.67 cents per pound; Henry L. Little, at 6.9 cents per pound; M. D. Helm, at 7 cents; the Ault Wooden Ware Company, at 7.33 cents, and the Manhattan Supply Company, at 7.98 cents.

Wheeler's twine was rejected by the full committee because it was deficient in tensile strength and was rough and uneven in appearance. The bid of Little (the next lowest) was set aside because the sample was short in yardage. The three bidders whose samples met the requirements of the specifications were M. D. Helm, the Ault Wooden Ware Company, and the Manhattan Supply Company. At the suggestion of Louis, letters were written to these three bidders to ascertain from what source they expected to secure their twine.

No answer was received from Helm; the Manhattan Supply Company declined to give the information, and the Ault Wooden Ware Company answered that it had an arrangement with the same mills which were then supplying the Department. Because Helm and the Manhattan Supply Company refused to state where they expected to secure the twine, it seems that the committee decided in favor of the Ault

Wooden Ware Company. Mooney states, however, that before the award was actually made he was approached by J. C. Morrow, president of the Wilmington Mills, who said that he understood the Little bid, the second lowest, had been rejected, and asked why the committee had taken such action. He was informed that the Little twine was short in yardage. Morrow then stated that the sample was from his mills and it was not short in yardage; that he would not be so foolish as to furnish a short sample, and that a fair test would prove his assertion. As a result of this conversation, Mooney and Elmer agreed that another test should be made; to this Louis strenuously objected.

During the first test Louis fed the twine onto the measuring reel. At the second test the reel was fed by Preston. The second test satisfied Mooney and Elmer that the Little twine was above the specifications in yardage, and that the contention of Morrow was well founded, and they therefore made a majority report in favor of accepting Little's bid. Louis, as a counteraction, then submitted a minority report in favor of the Wheeler twine, a twine which the committee had unanimously rejected because it was inferior in tensile strength. Mooney and Preston state that Louis wanted to give the contract to the Ault Wooden Ware Company, but when he found that the other two members of the committee would not agree to that he recommended the Wheeler twine, which they had all agreed was not suitable.

No action was taken on the report of this committee, and it was discharged. The matter was then referred to another committee consisting of Alexander Grant, George W. Beavers, and C. E. Dawson, who, after considering the whole matter, recommended that no award be made, as twine could be bought in the open market at 7 cents a pound, which was the bid of Helm, the next lowest bidder to Little (Exhibit A-7).

The Manhattan Supply Company furnished the twine during the fiscal year ended June 30, 1898. This company acted as the representative of the twine mills, for which service it received a commission of 2 per cent. The Department requires about 30,000 pounds of twine a week; and no mill is willing to take the entire contract and assume the risks of fire, strikes, and other casualties incident to the business. In 1897 the Manhattan Supply Company made the contract with the Department to furnish it twine, but had an agreement with the Schlichter Mills, of Philadelphia, Pa., and the Wilmington Mills, of Wilmington, Del., that each should furnish one-half of the twine.

When bids for the fiscal year beginning July 1, 1898, were called for a proposition was made to the owners of the two mills by Ault, of the Ault Wooden Ware Company, to enter into a contract with them to furnish him twine for the use of the Post-Office Department during the ensuing fiscal year. The mill owners, J. C. Morrow, of the Wilmington Mills, and Isaac Schlichter, of the Philadelphia Mills, both state (Exhibits B-22 and B-23) that they were given to understand by Ault that he could obtain the contract through the influence of Louis, superintendent of the supply division. Morrow and Schlichter declare they then entered into an agreement with Ault to furnish him twine at 6 cents per pound, f. o. b. Philadelphia, Ault to make his own price to the Department. Morrow in his statement says:

My distinct understanding from Mr. Ault was that he was to secure the twine contract through the influence of Mr. Louis, chief of the Division of Post-Office Supplies, and that Mr. Louis was to receive a money consideration for exerting his influence in behalf of Mr. Ault.

Morrow is now president of a large rug factory in Vineland, N. J., and is no longer interested in the twine business. Schlichter, when asked if Ault mentioned the name of the person in the Supply Division who was to give him the contract, said:

No, but I did—Mr. Louis, superintendent Supply Division, Post-Office Department, and in which he (Ault) evidently acquiesced.

Ault admits that he made the contract for twine as stated by Morrow and Schlichter, but denies that he told them he had arranged to secure the contract through the influence of Louis (Exhibit B-24). Louis denounces the statements of Morrow and Schlichter as false. Schlichter states that when he visited Washington to ascertain what was to be done about the contract, Louis approached him and stated that the whole thing had exploded, which he understood to mean that Louis was unable to give the contract to Ault as had been arranged.

It is difficult to determine the truth of assertions made by interested parties upon matters of this kind. Schlichter and Morrow seem to be reputable business men. Their statements are in a way corroborated by those of Mooney and Elmer. Whether Louis had a corrupt agreement with Ault can not be conclusively determined, but there appears to be no doubt that he was anxious that Ault should secure the contract for twine.

On account of the disagreement of this committee and because of the recommendation of the subsequent committee, jute twine for the fiscal year beginning July 1, 1898, was purchased in the open market from M. D. Helm, of New York, who also secured the contract for the following year and has held it continuously since. His bid for that fiscal year was 6.65 cents per pound; for 1899-1900, 6.97 cents; for 1900-1901, 10.95 cents; for 1901-2, 7.45 cents; for 1902-3, 8.72 cents.

It is charged that an unnecessary amount of twine was bought during the closing months of the fiscal year ended June 30, 1901, when the price was 10.95 cents per pound, and that no effort was made to curtail the requisitions until the contract for the ensuing fiscal year became effective, at which time the price dropped to 7.45 cents per pound (Exhibit B-26).

On March 2, 1901, the balance of twine on hand was 7,802 pounds. This balance was gradually increased until June 1, 1901, when it amounted to 102,392 pounds. This was the largest balance on hand at any one time during the period that Louis had been in charge of the supply division. An employee of the division, Charles F. Granholm, who was acquainted with First Assistant Postmaster-General Johnson, states (Exhibit B-25) that he advised Mr. Johnson there was a scheme on hand to purchase a large amount of twine and carry it over to the next fiscal year. Mr. Johnson, therefore, called for an estimate of the amount of twine necessary to supply the Department during the remainder of the fiscal year. Upon receiving this estimate he instructed Louis to reduce the requisitions to the lowest possible number.

After that the balance of twine on hand decreased, but at the close of the fiscal year there were still 63,875 pounds on hand. Louis contends that this amount was necessary in order to run the service during the first two weeks of the new year. This contention, however, does not appear to be well founded, because the balance on hand at the beginning of the fiscal year 1898-99 was but 25,655 pounds; and of 1899-1900, 26,505 pounds; and 1900-1901, 31,847 pounds, and no

inconvenience to the service resulted. Contractors are always notified that they must have twine for shipment July 1; and furthermore, the same contractor was to furnish the supply for the incoming year, so that there could be no more danger of a shortage of twine on the 1st of July than at any other time, the only difference being that the price dropped about 3 cents a pound on that date.

The price for the fiscal year 1899-1900 was 6.97 cents per pound. This price was increased to 10.95 cents for the following year, and during the first week of that year 58,904 pounds of twine were purchased, which cost the Department \$2,503.42 more than it would have cost had it been ordered the previous week.

If 31,847 pounds of twine were sufficient to have on hand at the close of the fiscal year when the price of twine was advancing about 4 cents per pound, I can see no reason why it should not have been enough when the price was dropping more than 3 cents a pound. And there is reason to believe that if First Assistant Postmaster-General Johnson had not given his personal attention to the requisitions for twine the amount on hand at the close of the fiscal year 1900-1901 would have been greater than it was.

Complaints also have been made as to the printing of facing clips and other incidental supplies needed by the Department. It is unnecessary to go into the details of all these minor transactions. They are clearly and minutely set forth in the report of Inspectors Harrison and Furniss. It is sufficient, perhaps, to say that the same methods of administration as indicated heretofore have prevailed throughout the entire division.

#### CONCLUSION.

From the foregoing it appears that the appointment of M. W. Louis as cashier of the Kansas City post-office, when it was not intended that he should perform any service whatever in that office, was irregular, and that his assignment as acting superintendent of the Division of Supplies while carried on the rolls and paid as an employee of the Kansas City post-office was unlawful (Exhibit A-8).

That he influenced the awarding of the contract for canceling ink for the fiscal year 1897-98 to the Ault & Wiborg Company, of Cincinnati, at a higher rate than offered by other bidders, not because of the merits of the ink, but as a favor to that company for reasons not fully explained.

That in the administration of his office he has shown undue friendship for these contractors by improperly granting them the use of penalty labels and by paying them for worthless ink that should have been returned.

That he has been extravagant and wasteful in furnishing canceling ink and pads to postmasters when they had not been ordered and were not needed.

That in the burning and throwing away of ink he was guilty of reckless and almost criminal disregard for the interests of the Government.

That by deception, in the letting for the fiscal year 1898-99, he threw the contract for pads to W. C. Long, at an increased price over other responsible bidders, to the great loss of the Department.

That during the fiscal years 1899-1900, 1900-1901, and 1901-2, he bought from the Ault & Wiborg Company, of Cincinnati, canceling

ink, practically without competition, and paid an extravagant price therefor.

That in the purchase of a large amount of twine at the close of the fiscal year 1900-1901 he acted in the interests of the contractors and against the interests of the Department.

That his administration of the division shows incompetency and extravagance.

I, therefore, recommend that he be summarily removed from office.

[Louis was removed October 21, 1903.]

#### PURCHASE OF MANIFOLD BOOKS.

During the progress of the investigation attention was called to the large expenditures for manifold books. This matter was made a subject of special investigation and assigned to Inspectors Harrison and Furniss. Their report is submitted herewith, marked "Exhibit C".

Until recently the use of manifold books for registry receipts was limited to post-offices registering 2,000 or more pieces of mail per annum. These books consisted of duplicate leaves containing eight receipts each. The duplicate receipt was made by placing a carbon leaf between the two pages. The original receipt when written was torn out and handed to the sender of the letter or package, and the carbon copy retained as a record in the office. This system was entirely satisfactory, except as to carrier registration books which were adopted in 1900. The carriers complained of inconvenience in handling the carbon sheets while registering letters on their routes.

Early in the year 1901, George L. Morton, of Wilmington, N. C., sales agent for the Galena Signal Oil Company, of Franklin, Pa., submitted samples of a metallic duplicating paper to Superintendent Louis, of the supply division, and was by him referred to W. H. Landvoigt, superintendent of the registry division of the Third Assistant Postmaster-General's Office.

This metallic duplicating paper is made by a patented process controlled by the General Manifold Company, of Franklin, Pa., which company is composed very largely of the stockholders of the Galena Signal Oil Company. Mr. Morton represented both institutions. Landvoigt at once became interested in the paper. He thought it furnished an opportunity for obtaining a suitable registration book for the carriers. Morton had sample books made and these were tested by officials of the Railway Mail Service, of the Washington post-office, and others, all of whom Landvoigt says (Exhibit C-1) unhesitatingly pronounced them a success.

Representatives of the manifold company claimed that their books could be furnished cheaper than those with interleaving carbon sheets then in use, and on September 28, 1901, submitted an estimate of prices on carrier receipt books and a small window registry book (Exhibit D). At that time, however, the Department was unable to purchase any large number of these manifold books because there was no appropriation available for that purpose. The law provided that all printing and binding, except that of an urgent nature, should be done at the Government Printing Office, and the Public Printer was not authorized to purchase finished books.

The Third Assistant Postmaster-General suggested to the representatives of the manifold company that they quote a price on the patent

duplicating paper, that the Public Printer could then, under the provisions of the appropriation act, buy the paper and make the books. This they declined to do.

There was an appropriation of \$20,000 for the office of the Third Assistant Postmaster-General, a part of which could be used for the purchase of these books (Exhibit D-8). There also was an appropriation of \$30,000 for the office of the First Assistant Postmaster-General for printing facing slips, card-slide labels, and books and blanks of an urgent nature, a part of which might be used for the purchase of these books. It appears that during the fiscal year 1901-2, \$2,675.50 of the miscellaneous appropriation for the Third Assistant Postmaster-General's office was expended for these books, and \$4,469.50 from the appropriation for facing slips, etc., for the First Assistant's Office.

Under the legislative restriction which prevented the Public Printer from buying finished books it was impossible to place the books made by the General Manifold Company in general use in the registry system. It became necessary, therefore, either for the manifold company to sell the paper to the Public Printer, from which he could make the books, or that the law should be changed so as to authorize the Public Printer to buy complete books. The representatives of the company declined to sell the paper, but undertook to have the law changed (Exhibit C-14).

Morton states (Exhibit C-14) that he appeared before the House Committee on the Post-Office and Post-Roads and presented the merits of his books; that the chairman of the committee was much impressed with the books and sent for Mr. Louis, of the supply division, and discussed with him the feasibility of their adoption. Morton further states that Congressional friends of his secured the insertion in the sundry civil bill for the fiscal year 1902-3 of the following provision:

The Public Printer is authorized hereafter to procure and supply, on the requisition of the head of any Executive Department or other Government establishment, complete manifold blanks, books, and forms required in duplicating processes; \* \* \* and to charge such supplies to the allotment for printing and binding of the Department or Government establishment requiring the same.

The insertion of this provision in the sundry civil bill was much more favorable to the company than to have it incorporated in the post-office bill, because it thereby became applicable to all the Departments, while if it had been embodied in the post-office bill it might have applied only to the Post-Office Department.

It appears that the use of this paper was a subject of discussion in the subcommittee of the House Committee on the Post-Office and Post-Roads. Representatives of the company had made a favorable impression on some members of the committee (Exhibits B-4 and D-6). Superintendent Louis states that Mr. Loud personally handed him a sample of the window registration book, and stated that he thought it was a good thing and asked him if he had authority to buy it with any money appropriated for the Post-Office Department.

After July 1, 1902, when the appropriation containing the proviso heretofore quoted became effective, the books were placed in general use throughout the registry service.

These books were introduced upon the theory that they were more convenient and cheaper than the old form with interleaving carbon sheets. In this connection a letter is submitted, signed by the Third

Assistant Postmaster-General, initialed by Landvoigt, dated January 30, 1902 (Exhibit D-1).

Based upon the estimates submitted by the manifold company September 28, 1901, the assumption that these books would be cheaper was well founded. These estimates, however, referred only to carrier registration books and a small window registration book that was never used. But there does not seem to have been any schedule of prices agreed upon for the other books used in the service, of which there are 14 or more varieties.

That the books were not cheaper is clearly demonstrated by the following figures. The purchases from the General Manifold Company for the fiscal year 1902-3 are here given:

From the appropriation for printing and binding .....	\$59,514.25
From the appropriation for printing facing slips, etc .....	14,960.52
From the general appropriation of the Third Assistant Postmaster-General's Office .....	10,294.08

Total purchase of manifold books from the General Manifold Company for the fiscal year .....	84,768.85
Total cost for manifold books for the entire registry service for the fiscal year 1900-1901 when made by the Public Printer .....	41,499.24

Excess of cost of manifold books for the fiscal year 1902-3 when purchased from the General Manifold Company .....	43,269.61
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It will be observed that the adoption of the Manifold Company's books has more than doubled the cost of these supplies over the cost of the old books purchased from the Public Printer.

It has been suggested that since most of the service has been supplied with manifold books the consumption will not be so great in the future as it was in the first year of their introduction; but in this connection it should be borne in mind that there were a large number of the old-style books on hand that were used during the fiscal year, and the probability is that the consumption of these books will increase if the present method of distribution continues.

As heretofore stated, there was no schedule of prices agreed upon for the books when adopted. However, the price first charged by the manifold company did not materially differ from that charged by the Public Printer for the old-style books; but there was a rapid advance in prices soon after the books became generally used. The erratic price of these duplicating books is an interesting study. To illustrate, take the following orders for Form 1508, Through Registry Pouch Bill Book:

Date of order.	Number of books.	For post-office at—	Cost.
October 9, 1902 .....	25	Atlanta, Ga. ....	\$33.00
October 29, 1902 .....	25	Detroit, Mich. ....	54.73
November 15, 1902 .....	25	Ogden, Utah. ....	57.85
July 16, 1902 .....	50	Buffalo, N. Y. ....	60.50
October 20, 1902 .....	50	Pittsburg, Pa. ....	64.63
November 26, 1902 .....	50	do. ....	93.68
October 13, 1902 .....	100	Boston, Mass. ....	126.50
January 7, 1903 .....	100	San Francisco, Cal. ....	162.69
April 18, 1903 .....	100	Boston, Mass. ....	165.00
September 13, 1902 .....	200	Washington, D. C. ....	247.50
December 30, 1902 .....	200	Chicago, Ill. ....	321.97
January 20, 1903 .....	200	Washington, D. C. ....	302.28



These books were identical except as to name of the office. Take Form 1549, window registration books:

Date of order.	Num-ber of books.	For post-office at—	Cost.
August 26, 1902 .....	25	Tacoma, Wash. ....	\$35. 75
October 9, 1902 .....	25	Kansas City, Mo. ....	38. 50
November 17, 1902 .....	25	Newark, N. J. ....	49. 50
October 9, 1902 .....	50	Hartford, Conn. ....	75. 63
November 11, 1902 .....	50	Pittsburg, Pa. ....	93. 41
February 14, 1903 .....	50	Baltimore, Md. ....	88. 00

For further details as to the remarkable advances made in the prices of these books after the Government had adopted them special attention is invited to Exhibits B, C, and D-7.

At first there was no great difference between the price of the old-style books with interleaving carbon sheets and the metallic duplicating manifold books; but the advanced price made the patent book much more expensive. To illustrate:

25 volumes of the old window manifold registration books, 2,000 receipts each, ordered from the Public Printer, June 19, 1902, for Atlantic City, N. J., cost .....	\$41. 25
25 volumes of the same form, with the exception that the books contained but 1,000 receipts, half the number of those furnished by the Government Printer, ordered from the General Manifold Company, November 17, 1902, for Newark, N. J., cost .....	49. 50

or \$8.25 more than the old style book, which contained double the number of receipts. In other words, the Public Printer charged \$41.25 for 50,000 receipts and the General Manifold Company, \$49.50 for 25,000 receipts.

No one will admit responsibility for this remarkable increase in the price of the books. Officers of the bureau of the Third Assistant Postmaster-General declare that they are not responsible; that they simply passed upon the feasibility of their use, the price being wholly for the supply division to determine; that they had supposed the books were costing less than the old books. Their claim seems to be well founded, inasmuch as the appropriation from which these expenditures were paid is controlled by the supply division. Superintendent Louis states that he is not responsible for the prices of the books; that they were adopted at the request of the Third Assistant's office; that he was simply a medium through which they were ordered from the Public Printer, and that the question of price is for the Public Printer to determine.

The Public Printer declares (Exhibit B-29) that he is not responsible for the price of the books any more than the cost of any other supplies that are ordered of him by the Post-Office Department; that no requisitions were filled by him until the estimate as to cost was approved by the superintendent of the supply division.

The weight of evidence indicates that the responsibility is on the superintendent of the supply division. The expenditure is paid from an appropriation under his control; and his approval of the estimate is required before the supplies are ordered by the Public Printer. The Public Printer charges a commission of 10 per cent for ordering these books. Louis claims that such commission is paid him for looking after the business, passing upon the merits of the work, the rea-

sonableness of the prices, etc. The Public Printer states (Exhibit D-2) that this 10 per cent is an arbitrary charge made on all supplies ordered through him and is for the purpose of covering the clerical expenses of his office.

Mr. C. G. Burkhardt, superintendent of the sales department of the General Manifold Company, declares that their first quotations were found to be too low, and that an advance in the price was made of from 25 to 50 per cent, not only on all Government supplies, but commercial work as well (Exhibit C-2). There are no books in commercial use similar to those used in the registry system, so that an accurate comparison as to prices can not be made. But inquiry from several commercial firms using these General Manifold supplies shows that Burkhardt's statement is not true.

While the company has a legitimate right to advance the price of its product if it sees fit, the officers of the Government have been unable to furnish any reasonable excuse for their negligence in not having a uniform price fixed or agreed upon between the company and the Department before the books were adopted.

#### EMPLOYMENT OF LANDVOIGT'S SON.

It appears that Arnold Landvoigt, son of Superintendent Landvoigt, is an employee of Gen. Charles Miller, president of the General Manifold Company, at Franklin, Pa. (Exhibit C-8), and it has been suggested that this employment is the result of his father's aid to the company in the introduction of its books into the registry system. Landvoigt states that his son is so employed, but stoutly denies that such employment was given as a consideration for any act of his, directly or indirectly (Exhibit D-5). These statements of Landvoigt are substantially confirmed by Morton, the representative of the company who secured the young man's employment. In relation to this subject the following facts are submitted:

Early in the calendar year 1901, George L. Morton, at the suggestion of M. W. Louis, superintendent of the supply division, took up with W. H. Landvoigt, superintendent of the registry system, the subject of the adoption of this metallic duplicating paper for the books used in the registry system. This was the beginning of the acquaintance of Landvoigt and Morton. After considering the matter for several months, on September 28, 1901, a proposition to supply certain manifold books to the Department was submitted by the company which Morton represented. In October, the following conversation took place between Landvoigt and Morton (see Landvoigt's statement, Exhibit C-1):

It was on one of these occasions, I think some time in the latter part of October or the 1st of November, that Mr. Morton, when we were spending a social evening together with some friends, made the remark to me, which I shall never forget: "Old man, you are worrying again about that boy, and you must stop it. I think I can find a place for him, where, if there is anything in him, he will have the future he is looking for." I replied, "If you do, I shall never forget you."

On November 20, 1901, Morton addressed Landvoigt the following telegram (Exhibit D-3):

Please wire me total yearly value of books and blanks used in your Department in which manifold process is or could be used. Will tell you on my arrival in Washington of arrangements for your son.

November 22, 1901, Landvoigt answered as follows:

About \$42,000 was paid for manifold work for the registry service during the last fiscal year.

On December 17, Landvoigt's son was employed by the manifold company at a salary of \$75 per month. He was 23 years old, had never had any business experience, had resided some years in Germany, and was a musical student; afterwards he was promoted to \$1,200 per annum.

On February 15, 1902, requisition was made for 15,000 carrier registration books, and from that date the manifold company's books have been in continuous use.

#### CONCLUSION.

It therefore appears that there is no evidence that Landvoigt solicited from the General Manifold Company the employment of his son, or that there was a specific understanding between the representatives of the company and himself that in consideration of such employment their books were to be adopted by the Department, but that while the question of the adoption of their books was pending before his division and before any orders had been given for them, a proposition was made to him by Morton, a representative of the company, to furnish his son employment at a liberal salary, considering the young man's experience in commercial affairs.

That such employment for his son was accepted by Landvoigt and considered a great personal favor.

That soon after such employment became effective, orders were given to the Manifold company for their books, and that their use was gradually extended to include all manifold books used in the registry system.

Landvoigt entered the postal service August 6, 1875, as messenger at \$720 per year. He has been promoted in salary eight times, the last promotion being July 1, 1903, to \$2,750 per annum. He is now superintendent of the classification division. As far as I have been able to learn, his record in the routine work of the Department has always been creditable.

The question in this case, therefore, is, Should the chief of a division of the Department, whose duty it is in dealing with contractors to represent the Government and to protect its interests, be permitted to accept valuable personal favors from a contractor while matters affecting the interests of that contractor are pending before him? In my opinion he should not.

It was Landvoigt's duty to pass on the quality and merits of the supplies furnished by this company. The acceptance of a favor of this character, therefore, was especially dangerous, as the value of such a favor at any time might be increased or decreased at the pleasure of the company, which fact would necessarily be in his mind continually when dealing with questions affecting its interests.

To permit such a practice on the part of Department officials would endanger the integrity of the service.

Landvoigt's action may not have been prompted by a corrupt or venal motive. He may not have realized at the time the gravity of his offense. But in any event, the interests of good administration demand his separation from the service.

[Landvoigt's resignation was accepted October 24, 1903.]

## LOUIS KEMPNER.

On July 1, 1902, Landvoigt was succeeded as superintendent of the Registry System by Louis Kempner. Under Kempner's administration the use of the manifold books has been greatly extended. Under Landvoigt the use of manifold window registration books was restricted to offices registering two thousand or more letters per annum. This practically confined their use to offices of the first and second classes, of which there are but 1,349 in the United States. In the fourth-class offices the old-style registry receipt books, containing 450 receipts and costing only 30 cents, were used.

Kempner abolished the restriction as to the use of manifold books, and they were furnished to all offices regardless of the number of registrations. By this action he made these books available for use in the third and fourth class offices, of which there are 72,821.

The original estimate, of September 28, 1901, for window registration books, was for a book containing 500 receipts, at a cost of 22½ cents. This book, however, was never used, but in its stead a book containing 1,000 receipts, which cost \$1.10, was furnished. Why a book containing 500 receipts that cost 22½ cents was not ordered, and a book with only double the number of receipts but costing five times as much was selected does not appear. The small book was certainly large enough for use in the 70,000 fourth-class offices.

The average registration in the State of North Carolina, including all offices, during the fiscal year 1902, was but 88 letters per office. There are 1,800 offices in that State which have less than 50 registrations per annum. The average registration in the entire State of Virginia, including the first-class offices, is but 109 to the office; in South Carolina, 120; in Alabama, 141.

These books are made of material requiring careful handling. Yet they have been sent out to hundreds of offices throughout the country that are kept in small country stores and farmhouses where there are few letters registered and where the records are carelessly kept (Exhibit D-4). To illustrate:

One of these books was recently sent to Cheatbridge, W. Va., where but 5 letters were registered during the year 1902; also one to Simmongrove, N. C., where but 11 letters were registered; to Suydam, N. Y., where 14 were registered; Ballards, Mich., 21; Grogan, Minn., 17; Guam, N. Mex., 10.

Out of recent shipments to 40 fourth-class post-offices in Ohio, taken at random, 23 of them were for offices that registered less than 100 letters and packages last year.

In a very large number of these offices it will require from ten to twenty-five years to use the receipts provided in one of these books, so that thousands of them will be worn-out and destroyed long before half the receipts are used.

Kempner states that he sent these books to the fourth-class offices in order to provide a uniform book for registration. There is no necessity, however, for such uniformity.

Another feature of Kempner's administration that deserves special attention is the printing of the names of the post-offices in the window registration book. As has been said, these books cost \$1.10 per volume in large quantities, the name of the office being left in blank to be

inserted by rubber stamp or pen, but when the name of the office is printed in, the price is greatly increased. To illustrate:

5 volumes with name printed, supplied to Washington	
Bridge Station, New York, January 24, 1903, cost.....	\$22. 00, or \$4. 40 per vol.
10 volumes for Portland, Me., May 26, 1903, cost.....	34. 10, or 3. 41 per vol.
15 volumes for Troy, N. Y., March 11, 1903, cost.....	37. 95, or 2. 52 per vol.

It may be desirable to print the names in the books used at the largest offices, but there is no justification for printing the names of post-offices throughout the country where only a few registered packages are sent out per day.

Kempner stated (Exhibit B, p. 18) that he was in favor of printing the name of the post-office in all of the registration books used in the United States. The following of such a policy would, at a conservative estimate, increase the amount of the expenditure for these books more than \$100,000 per annum.

Registration of letters by city carriers was put in operation July 1, 1900. The old style of manifold books furnished was made by the Public Printer. Kempner estimates that there were about 22,000 of the old style registration books on hand July 1, 1902 (Exhibit C-3). In February, 1903, requisition was made for 20,000 carrier registration books from the General Manifold Company. These books were received April 16, 1903, at which time there were something over 10,000 old style books on hand. These books contained 50 receipts each; those of the General Manifold Company contained 25 receipts each. From July 1 to April 16 about 12,000 books had been issued, or about 1,500 per month. There were, therefore, on hand at the time the new supply of books was received, a quantity sufficient to last over six months, and it appears that the order at this time for 20,000 books was wholly unnecessary.

When the new supply of receipt books was received from the General Manifold Company, Kempner recommended to the Third Assistant Postmaster-General that the supply of old books on hand be destroyed. To this the Third Assistant refused to consent, and by his withholding such consent Kempner was prevented from destroying over 10,000 carrier registration books in good condition and available for use (Exhibits C-10, C-11, C-12, C-13). The only effect of such destruction would have been a loss to the Department and a corresponding benefit to the General Manifold Company, which would have supplied new ones in their stead.

From the report of Inspectors Harrison and Furniss (pp. 18, 19, and 20, Exhibit C), it appears that during the progress of the investigation Kempner endeavored to intimidate his clerks from giving information to the inspectors.

W. M. Mooney, chief clerk of the registry division, in an affidavit (Exhibit C-4) states:

On June 29, 1903, I was called into the office of Mr. Louis Kempner, superintendent of the registry division, and accused by him of having given information to Inspectors Furniss and Harrison. During the conversation Mr. Kempner said that the inspectors were aware of the fact that a count of stock had recently been made; that Mr. Landvoigt's son was employed by the General Manifold Company, and that this information must have been furnished by some of the clerks of the registry division. I was accused of furnishing the above-mentioned information to the inspectors.

Kempner then, Mooney says, criticised the inspectors severely for interrogating clerks in his division without first consulting him about it.

Claude Dobbins, a clerk in the same division, in an affidavit (Exhibit C-5) says:

On the 29th of June, 1903, I was called into the office of Louis Kempner, superintendent of the Registry Division, who informed me that there had been much intriguing in his division and that much information had been given to the inspectors by his clerks, some of which was true and would embarrass him, but much of it exaggerated. He named the clerks whom he suspected of this, and added that after the investigation is over they would have to be punished. He advised me to keep my hand out of it. Continuing, he told me that he had not succeeded in obtaining a promotion for me, effective July 1, 1903, but there was a prospect of my promotion to \$1,600 per annum later in the month, and that if he failed in this he had something else in view for me later on. Later in the day Mr. Kempner told me that he had recommended my promotion by letter, and the next day he showed the letter to me. I never requested a promotion of Mr. Kempner or anyone else.

During a conversation which occurred on June 30, after office hours, Mr. Kempner told me that he had had a talk with the Third Assistant Postmaster-General, who told him that he (General Madden) would expect loyalty from his chiefs of division, and the clerks would be required to be loyal to their chiefs.

He told me that the promotion of a clerk in his division had been ordered, but had been held up by General Madden because the clerk had been "knocking" him (Kempner).

Continuing, Dobbins says:

In his conversation about loyalty, Mr. Kempner informed me that he was considering the proposition of getting rid of W. M. Mooney, and if successful in this, he would do what he could to put me in Mooney's position, provided I would be loyal to him.

Milton R. Crandall, an employee in the same division (Exhibit C-6), says:

While I was engaged in conversation with the inspectors, Mr. Louis Kempner, superintendent of the registry division, came up and joined in the conversation. After the departure of the inspectors Mr. Kempner said to me: "In the name of God what information are you giving to these people?" I informed him that I had not given any information. He then said that any information to be given out would be given out by him, and that I would better keep quiet or I would get in trouble myself.

Mooney's manner and statement indicate an unfriendly feeling toward Kempner, but Dobbins appears wholly unbiased, and his character is vouched for by Kempner, who in a letter to the Third Assistant Postmaster-General, dated June 4, praised his work and recommended his promotion from \$1,400 to \$1,600 per annum (Exhibit C-7).

The inspectors believe that the allegations of the clerks above referred to are true, and state that Kempner's attitude throughout the investigation was not open and frank, but evasive, and his statements at times misleading.

Kempner's recommendation that thousands of the old carriers' registration books be destroyed suggests collusion to promote the use of the books of the General Manifold Company, but after a careful review of the whole case there does not appear to be any evidence that he received financial reward, directly or indirectly, from the Manifold Company.

#### VIOLATION OF REVENUE LAWS.

During the investigation of the use of manifold supplies the inspectors learned that Kempner had been receiving from Cuba numerous packages of cigars without paying the duty required by the revenue laws. Some of these packages were for his own use, and others he sold. Inquiry into this feature of his administration was made by

Inspectors Williams and Furniss, and their report is submitted herewith, marked "Exhibit E."

By an order of the President, dated November 10, 1899, anyone employed in the United States service in Cuba was permitted to send gifts or souvenirs to a member of his family, free of duty. It appears that Kempner had different parties in Cuba purchase cigars for him and send them by registered mail marked "gift." These were passed by the exchange office at Jacksonville, Fla., without being marked dutiable. Kempner, not only while superintendent of the Registry Division of the Washington post-office, but after he was transferred to the Department, received in this way packages containing dutiable articles, without payment of duty. It was his specific duty (Par. 21, p. 1020 Postal Guide, 1903) to report to the Department any dereliction on the part of the postmaster at any point of entry in enforcing the regulations as to dutiable matter.

Kempner's sworn statements upon this subject are of the same evasive and misleading character as his statements in regard to other official irregularities. When first interrogated by the inspectors he declared that he had received only a small number of these packages, and that they were all presents. Subsequently he said that the number was less than 40, while the inspectors submit a list of 78 packages that he has received since April 4, 1900 (Exhibit E-1).

Kempner first named three parties who sent these cigars from Cuba, namely: Albert Triani, Caibarien; and Juan Baguer, and one Jose, of Habana. The inspectors also learned (Exhibit E-1) that Albert J. Xanten and Clarence L. Marine, both of whom were formerly in the Cuban postal service, at Kempner's request, bought cigars in Cuba and sent them to him by registered mail.

Xanten says that Kempner sent him about \$30, as he remembers, to pay for the cigars. Marine states that he bought the cigars and mailed them to Kempner at his solicitation, but that Kempner has never paid for them, though he had written twice soliciting payment.

Albert Triani, from whom Kempner says he received most of his cigars, is not in the postal service of the United States and never was.

Kempner claimed that he received these packages of cigars without payment of duty, in accordance with the provisions of the President's order of November 10, 1899. The following sets forth the provisions of the order and the manner in which Kempner complied with it. The order provides:

First. The package shall not exceed four (4) pounds in weight.

Kempner's packages not being available for inspection, it could not be ascertained whether or not this requirement was complied with.

Second. It shall be indorsed on the outside, in a conspicuous place, with the word "Gift," or "Souvenir," or the equivalent thereof.

The indorsement "Gift" appeared on the packages.

Third. It shall contain only articles designed as "Gifts" or "Souvenirs."

These packages contained neither gifts nor souvenirs, but merchandise bought by Kempner, and that which he did not use himself he sold to other parties.

Fourth. The articles shall be for no commercial purpose and not for sale.

Several of Kempner's packages were for commercial purposes and were sold by him.

Fifth. The package must be sent by some one in the United States service.

The majority of these packages were sent by parties who were not and never had been in the United States service.

Sixth. The package must be addressed to a member of the family of the sender.

None of these packages was sent to Kempner by any member of his family.

Seventh. The package shall be so marked as to show the branch of the service to which the sender belongs.

A part of the packages at least was not so marked.

Eighth. The package must be countersigned by a commissioned officer or a postmaster.

At least a part of them were not countersigned as required.

Kempner's suspension of the revenue laws in his own behalf caused him to be very liberal in the passing of dutiable goods for other parties in violation of the law. The Secretary of the Treasury has complained to this Department of the numerous violations of the revenue laws by this system of smuggling through the mails.

On May 27, 1903, the postmaster at Washington invited the attention of the Third Assistant Postmaster-General to four packages received from Manila, P. I., from a United States army officer to a friend or relative at Fort Myer, Va., stating that each package weighed from 9 to 18 ounces in excess of the weight prescribed by the President's order, but that other requirements were complied with. In reply to this, the Third Assistant Postmaster-General, in a letter initialed by Kempner, directed that the President's order be liberally construed, and the label, "Supposed liable to customs duty," should not be attached. In reply to this letter the postmaster very pertinently asked:

To what extent must matter be passed without affixing customs label, which is received weighing over 4 pounds?

Kempner, therefore, who was responsible for the enforcement of the regulations of the Department, ordered their violation, and has for years systematically evaded the revenue laws by a course of petty smuggling.

Louis Kempner was first appointed to the postal service as a clerk in the New York post-office in August, 1886, at a salary of \$840 per annum. He was advanced by successive promotions until July, 1895, when his salary was \$1,400. In February, 1898, he was reduced from \$1,400 to \$900. In the following June he was again advanced to \$1,300, and in the following month assigned to duty in Cuba, when his salary was fixed at \$2,000. In 1900 he was transferred to the Washington post-office at \$1,700, and on July 1, 1902, made superintendent of the Registry Division of the Department.

#### CONCLUSION.

I therefore conclude that as an administrative officer he is either incompetent or inexcusably negligent.

That in sending expensive manifold books to a large number of insignificant fourth-class offices he has been guilty of reckless and indefensible extravagance.

That in supplying to small fourth-class offices the large window



registration book at a greatly increased price over the smaller one submitted by the company in its proposition of September 28, 1901, he acted in the interests of the General Manifold Company and against the interests of the Department.

That his recommendation for the destruction of a large number of carrier registration books was a wanton attempt to destroy valuable Government supplies.

That by evasive and misleading answers he attempted to conceal from the inspectors the irregularities of his administration.

That he used his superior position in tyrannical and unwarranted ways to intimidate the clerks under him from giving information to the inspectors, which it was their plain duty to give when called upon to do so.

That he deliberately violated the revenue laws by a system of petty smuggling and endeavored to use the President's order as to "gifts" and "souvenirs" as a cloak for his illegal acts.

I recommend that he be removed from the service.

[Kempner was removed October 21, 1903.]

#### OFFICE OF THE ASSISTANT ATTORNEY-GENERAL.

Prior to the beginning of this investigation, statements appeared in the public press to the effect that certain fraudulent schemes, popularly known as "get-rich-quick" concerns, were being allowed the unlawful use of the mails by the Office of the Assistant Attorney-General for the Post-Office Department (Exhibit F-1).

The failure of a number of these concerns in St. Louis, Mo., brought numerous complaints to the Department. Inspectors W. J. Vickery and R. M. Fulton were placed in charge of the investigation. Their report is submitted herewith, marked "Exhibit F."

At that time James N. Tyner was Assistant Attorney-General, and G. A. C. Christiancy and D. V. Miller were assistant attorneys.

Among other things it was alleged that Harrison J. Barrett, a relative of Tyner's wife, and formerly his assistant, was extorting large amounts of money from these fraudulent institutions under the guise of fees for legal services in preventing the issue of fraud orders against them.

Barrett was appointed assistant to Tyner on the 27th day of May, 1897, and served until December 31, 1900, when he retired to enter a law partnership with J. Henning Nelms, of Baltimore, Md. He was succeeded in office by G. A. C. Christiancy.

The Postmaster-General is authorized by law to refuse the use of the mails to anyone conducting a lottery business or a scheme for obtaining money under false pretenses.

All questions arising under the fraud and lottery statutes are referred to the Assistant Attorney-General for the Post-Office Department, and he passes upon the cases as presented and prepares orders prohibiting the use of the mails, known as "fraud orders," for the Postmaster-General's signature. These cases are not presented to the Postmaster-General for consideration unless fraud orders are recommended by the Assistant Attorney-General. The responsibility, therefore, for the execution of the statutes referred to rests with the office of the Assistant Attorney-General.

The administrative methods of Tyner and Barrett can be most

clearly illustrated by reviewing a number of cases that were passed upon by them.

E. G. LEWIS, ST. LOUIS, MO.

E. G. Lewis, of St. Louis, Mo., was conducting what is known as an "endless chain" scheme. He offered a watch for 10 cents, the conditions being that the original sender of the 10 cents was to get 10 cards. These he was to sell or give away to 10 other persons, each of whom was to send 10 cents and receive and distribute 10 more cards. And when all of these were sent to Lewis with 10 cents each the watch would be forwarded to the starter of the chain.

Lewis would get from original holder, \$0.10; from first circle, \$1; from second circle, \$10, total, \$11.10, before the watch was sent.

Barrett ruled that the chance of breaking this chain was so great that it amounted to lottery; that the possibility of one person controlling the action of 110 persons—in compound style—was so remote that it made the prizes dependent upon chance. He held, however, that the simple chain, which brought the prize on the second round, did not involve chance and was not lottery; that if the scheme, in other words, gave the watch upon the payment by the 10 to whom the first man sold his tickets, it might use the mails (Exhibit F-2).

Lewis, according to Barrett's rulings, was conducting a fraudulent business. No fraud order was issued, however, and he was permitted to wind up the current business upon the promise that in future operations he would simplify his plan as suggested by Barrett.

As an acknowledgment of the kind and courteous treatment which he received at the hands of Barrett in disposing of the case, Lewis presented him with a gold watch, valued at \$35, which Barrett accepted. Afterwards it appears, however, that under the new name of the Mail Order Publishing Company, Lewis operated the same old scheme. When Barrett was advised of this he wrote Lewis, under date of July 25, 1899 (Exhibit F, pp. 4-6), accusing him of bad faith in returning to the old scheme, and said:

You requested me, in consideration of my courtesy and leniency, to accept a watch, which you sent, and which I accepted in good faith; but now I can not, with self-respect, retain the watch, so I have returned it to you by mail to-day.

It seems, however, that afterwards amicable relations were reestablished between them, and Barrett again accepted the watch. Later, when Barrett retired from office, Lewis employed him as his attorney.

The impropriety of an officer accepting a present from a violator of the law, for an act of leniency, should have been apparent to a duller man than Barrett.

In September, 1900, the Attorney-General ruled that not only was the compound system in violation of the law, but the simple scheme as well.

MIDLAND PUBLISHING COMPANY.

At the same time that Lewis was promoting his endless-chain schemes in St. Louis, the Midland Publishing Company, publishers of the *Coming Age*, a concern with offices at St. Louis, Mo., and Boston, Mass., also was conducting an endless-chain scheme of similar character; the only difference being that each payment was 20 cents instead of 10, as required by Lewis, and the prize was a set of books or a sewing

machine. The company used exactly the same schemes and literature at both offices.

On August 29, 1899, the postmasters at both St. Louis and Boston were ordered by Barrett to refuse circulars of this company when offered for mailing. Shortly afterwards Mr. F. E. Richey, its attorney, called upon Barrett, who, as a result, on September 26 wired the postmaster at Boston to accept the mail until further ordered. No action was taken as to St. Louis, however, and at that place the company was still denied the use of the mails.

A case against the concern was in the hands of an inspector at St. Louis for investigation, and when the inspector visited the company it was discovered that they were sending all advertising matter by express to Boston, to be mailed at the Boston post-office, and that this was done at Barrett's suggestion. The officers of the company at St. Louis were disturbed over the visit of the inspector, and notified Richey, who inquired of Barrett as to the investigation. Barrett at once wired Richey:

Did not remember that case was in hands of inspector. Have had it recalled by wire, with instructions to take no further action. Letter follows.

The company was then left undisturbed for almost a year, when, on September 12, 1900, Barrett instructed the postmaster at Boston to deny the use of the mails to the Midland Publishing Company, the Attorney-General, under date of August 31, having declared all such schemes as those promoted by that company to be in violation of the lottery law. Before this time, however, the business had been wound up, and the officers of the company advised the postmaster that they no longer had any matter which they desired to mail.

Barrett, therefore, decided that it was illegal to use the mails to promote this scheme in St. Louis, but he permitted it to be done in Boston. He allowed the Midland Publishing Company to use the mails for more than a year after he had required Lewis to wind up an exactly similar business. The reason for such inconsistent action I have been unable to ascertain.

#### POPULAR FASHIONS.

L. H. Perlman, of New York City, publisher of cheap papers known as Popular Fashions, The Fashion World, and New Styles, was persistent in operating fraudulent schemes. As an illustration: In bold headlines across four columns of the paper he advertised an elegant set of dishes, 56 pieces, full size for family use, free. Below these headlines was a large engraving of the dishes. Then came a detailed description of them, followed by a statement in black-letter type (Exhibit F-4) that—

Any person answering this advertisement can get a handsomely decorated set absolutely free—we mean it. A straightforward, honest offer.

The condition was that the patron should—

Pin this numbered coupon to your name and address, and with it you must send 10 cents, in silver or stamps, to help pay advertising expenses, and you will receive four months' subscription to a beautiful magazine, together with our offer of a 56-piece China set (exactly as illustrated), which we shall positively send the same day this coupon is returned.

The person who read the advertisement, cut out the coupon, and sent the 10 cents as indicated, received a circular containing a large

plain engraving of the 56-piece set of dishes, with a small 3-piece set so placed in relation to the other as not to attract attention. The circular in large plain type stated that—

As you are among the first in your locality to answer our advertisement, we will, on receipt of \$1 for one year's subscription to Popular Fashions, send you the magazine regularly for twelve months, and the very day your subscription reaches us we will promptly ship you, carefully boxed and packed, fully guaranteed against breakage, these handsome pieces as described and illustrated above the 56-piece set.

The patron who sent a dollar would get three small pieces of cheap ware of practically no value.

As a result of these deceptive advertisements, a great many complaints came to the Department, which were investigated; and on January 25, 1900, a report was filed by the inspectors recommending a fraud order. Some kind of a hearing was had in the office of the Assistant Attorney-General on the 31st of January, but no fraud order was issued. Complaints continued to come, and on April 30 Assistant Attorney-General Tyner notified the company to appear on May 5 and show cause why a fraud order should not be issued. In answer to this demand the company presented a statement (Exhibit F-4) declaring that—

all of the advertisements and circular matter issued by the company were before the Department at the hearing on January 31 last, and after a most exhaustive inquiry—the Department had closed the case by issuing the following letter to all complainants:

SIR OR MADAM: The papers in your complaint against the Popular Fashions Company, New York, N. Y., are herewith returned with the information that they do not appear to present a case upon which this Department can take action.

Very respectfully,

(Signed) HARRISON J. BARRETT,  
*Acting Assistant Attorney-General for the Post-Office Department.*

After hearing the case on May 5, Assistant Attorney-General Tyner reached the following decision:

After a hearing and consideration of the case of the Popular Fashions Company, in response to the letter to show cause, dated April 30, 1900, which is accompanied by a memorandum of charges, further action has been suspended, for the reasons and upon the agreement set out in a communication to the Popular Fashions Company under date of May 26, 1900.

The communication referred to was a lengthy letter from the Assistant Attorney-General, stating that in fact the concern had been operating schemes to defraud, but that he refrained from issuing a fraud order because the company claimed to have discontinued the advertising and had practically wound up the objectionable feature of its business, and had agreed to refund money to all complainants. On June 25 Tyner wrote the company another letter and called its attention to additional complaints, but no further action was taken, and hundreds of complaints continued to come to the Department.

On September 11 the Third Assistant Postmaster-General informed the Assistant Attorney-General that the permit to mail Perlman's paper at second-class rates had been canceled, and suggested that it be barred from the use of the mails because of its fraudulent character.

In January, 1901, another case was made up against Perlman and was referred for investigation. As a result, on January 24, 1901, Inspector Brown recommended a fraud order. His report was referred to the Assistant Attorney-General and afterwards returned

to the inspectors for further information. On April 2 another report was submitted by Inspector Brown with an additional recommendation for a fraud order, whereupon the Assistant Attorney-General's office on April 19 again ordered Perlman to show cause why a fraud order should not be issued. Prior to January 1, 1901, the cases against this company had all been handled by Barrett, though some of the letters were signed by Tyner. On that date Barrett retired from office and Christiancy succeeded him. In April, 1901, when Perlman was next called before the Department, Barrett appeared as his attorney and was successful in preventing the issue of a fraud order. The reasons assigned by Assistant Attorney-General Tyner for not issuing a fraud order at this time are set forth in a letter dated June 13, 1901, to the Fourth Assistant Postmaster-General, in which he states:

Evidence was presented at the hearing that the forms of advertisements and circulars used, and to which objection was found, had been verbally approved by the late assistant attorney (Barrett) for this Department, and although I do not concur in the approval, I deemed it proper to decline to recommend that a fraud order be issued.

In another letter, dated June 21, 1901, Tyner says:

During the term of service here of Harrison J. Barrett as assistant attorney \* \* \* he had several interviews with the owner and manager of this concern. Mr. Barrett has since told me that he had verbally stated to said manager that the advertisement (and the one evidently to which you refer) was not, in his judgment, inimical to said law. With that assurance or expression of opinion from Mr. Barrett, I do not regard it as proper to lay heavy hands upon this concern, although I disagree with his judgment as to the application of the law in this case.

After this Barrett was employed by Perlman as his attorney and paid \$1,000 per annum. He received a special fee of \$200 for the services rendered at this hearing (Exhibits F-5 and F-6).

#### SAMUEL HARRIS.

Samuel Harris, of New York, operated a number of schemes (Exhibit F-7). To illustrate: He published in the papers in bold headlines:

*\$100 reward.*

Under this headline was the picture of an eye, then the letters D and A, followed by the picture of a hoe. The advertisement announced that the above reward would be given to any one who would correctly answer the name of the State represented in the rebus.

It costs you nothing to guess, and the correct answer is on your map.

When the answer was sent in the correspondent was advised that under the rules of the company it was necessary, before a cash prize could be given, for him to become a patron of the Curaline Chemical Company by purchasing one package of their renowned Curaline tablets, a guaranteed specific for dyspepsia, chronic indigestion, constipation, biliousness, sick and nervous headache, fevers and colds, female troubles, facial eruptions, and all disorders of the stomach. The cost of these packages was 50 cents each. After the price had been paid the purchaser was informed that a great number had answered correctly and it became necessary to divide the \$100 prize among them equally.

Since the puzzle was very simple and anyone could solve it, there

was usually not to exceed 2 or 3 cents each for those who had given correct answers. Yet even this pittance was not sent to the patron, but instead a certificate for the amount was mailed him, which, it was stated, would be received by the company as a credit in payment for another package of Curaline; but, if the patron preferred, the cash would be sent. But since the amount was only a few cents and it required further correspondence the patron usually dropped out.

One of Harris's concerns, the Bess Remedy Company, received as many as 3,000 letters a day in answer to one of its advertisements. It ran two contests a month from December, 1900, to June, 1901. It was investigated by a post-office inspector, who recommended a fraud order. A hearing was had by the Assistant Attorney-General's office, during which Harris seems to have become somewhat sarcastic in his remarks to Christianity, who was conducting the hearing, and suggested that the case be postponed until he might go to Baltimore and hire an attorney, doubtless referring to Barrett. This remark was resented very much by Christianity. A fraud order was issued on June 8.

Later on, however, Harris did go to Baltimore and employ Barrett, and on October 23, 1901, the fraud order was revoked upon a promise from Harris that he would in the future do an honest business. After the revocation of the order he immediately, under the name of the Curaline Chemical Company, began the same style of advertising, with the same character of contests, except that he charged \$1 a package for his medicine instead of 50 cents. The same results followed. A \$100 prize was offered for the solution of a puzzle, and, as formerly, thousands of people answered correctly. The case was again referred to the inspectors for investigation, and on January 17, 1902, the concern was ordered to appear January 23 and show cause why a fraud order should not be issued.

Harris did not appear at the appointed time, but Assistant Attorney-General Tyner received from Baltimore on that date a special-delivery letter which was delivered at his residence at 4.30 in the afternoon. The letter was dated New York City and signed "Curaline Company," but was written on a typewriter in Barrett's office at Baltimore, being the same typewriter that Barrett had used in the preparation of the postal laws of 1902. This typewritten note contained the following argument:

Your memorandum shows upon its face that the plan to which objection is made has run its course, and therefore no mail is being received in pursuance thereof. The circulars referred to stated that the contest would close on December 24, which it did. And you further refer to the circular sent out advising contestants of the amount they are entitled to. This alone would seem to be sufficient to preclude the issue of a fraud order; but we deny that there was ever any fraud in the transaction.

At that time the concern was receiving about 300 letters a day. On January 27, four days after he received the typewritten note, Tyner addressed the following letter to the postmaster at New York:

Mail addressed to the Curaline Chemical Company of your city which you are withholding from delivery under instructions from this office, dated the 18th instant, can now be delivered to the proper representative of that concern.

On January 29 a letter from the Assistant Attorney-General to the Fourth Assistant Postmaster-General states:

It was observed in examining this case that the advertisement and the first circular combined present the inducement to send money to the promoter, and further, that the circular referred to contains a statement as to the time the contest will terminate. This latest date set for the closing of the contest, as shown by the papers filed with

the case, was December 24 last. The last scheme or contest of which this Office has knowledge has run its course. There is, therefore, no living scheme left to which a fraud order can be applied. The object of a fraud order is, of course, to reach such letters as come addressed to the promoter, and as one month or six weeks have passed since the date fixed at which the contest would cease, it is presumable that no letters are coming to the addressee.

In a letter of January 30 to the Curaline Chemical Company, Tyner says:

The case recently heard was not dismissed on account of the merits of the defense—in other words, on account of the failure of this office to obtain evidence that you had been using the mails for fraudulent purposes—but because the scheme itself had expired by limitation on December 24.

Such an argument nullifies the law providing for fraud orders. Harris was then conducting another contest. Complaints would not come until after the date set for the distribution of the prizes because there would be no disappointments prior to that time, and according to this ruling it would then be too late to consider the case.

Barrett was the attorney for Harris at that time, but for some reason he did not care to sign his name to the typewritten note referred to. His argument as set forth in such note, however, was accepted by Assistant Attorney-General Tyner as conclusive.

#### CASSIUS M. UPTON.

Cassius M. Upton was the publisher of a cheap illustrated paper in Chicago. He sought to extend his circulation by the puzzle plan (Exhibit F, pp. 31-40). In one of his schemes he submitted the initials of nine leading railroads running out of Chicago, with the names of the roads spelled out, omitting a few of the letters as indicated below:

- I. C. R. R.—Ill-no-s C-n-r-l Railroad.
- M. C. R. R.—M-ch-g-n C-nt-al Railroad.
- G. T. R. R.—Gra-d Tr-nk Railroad.
- L. S. & M. S. R. R.—La-e Sh-re & M-ch-g-n Sout-ern Railroad.
- C. & N. W. R. R.—Ch-cag- & No-th We-ter- Railroad.
- C. B. & Q. R. R.—C-ic-go B-rli-gt-n & Qu-ney Railroad.
- C., M. & St. P. R. R.—Ch-ca-o Mi-wa-ke- & S-int P-ul Railroad.
- C. G. W. R. R.—Chic-go Gr-at W-st-rn Railroad.
- B. & O. R. R.—B-lt-m-r- & -h-o Railroad.

Then in bold-faced type he offered \$500 reward for full, correct answers to the list, stating that—

All that is necessary to get one of the cash prizes is to write out the full name of these nine roads correctly and send them to us as below stated.

#### Additional prizes, consisting of

A handsome silver tea set, a guaranteed Ansonia watch, or a very pretty Tiffany mounted ladies' genuine diamond ring,

were promised to those who sent four or more correct answers. Seven beautiful winter-flowering bulbs also were offered free to every person replying to the advertisement, whether answers were correct or not, the condition being that every one sending a solution must inclose with the same thirteen 2-cent stamps or 25 cents in silver for a three-months' trial subscription to Upton's Illustrated Weekly.

It is stated obscurely in the advertisement that if more than one person sends the correct solution the \$500 will be divided pro rata, and further that

It is intended to make every prize winner a permanent advertisement for my weekly, and successful contestants must extend his or her circulation for one year.

After the 25 cents had been remitted, the victim was advised that in order to get a prize it would be necessary to send \$2 for a year's subscription to Upton's Illustrated Weekly, which would entitle the subscriber to a choice of one of the three pieces above referred to, which were grossly exaggerated as to value.

The puzzle was so simple that anyone could answer it correctly. The result was that the \$500 prize would have been divided up until the winners would have received less than 5 cents each. And Upton concluded, since the amount was so small, that it was not necessary to distribute it (Exhibit F).

Upton submitted this advertisement to Barrett, and in a letter dated February 11, 1899, Barrett passed upon the same, stating that it was not inimical to the postal laws.

Complaint was made by some of the victims of Upton's ingenious advertising, and the matter was referred to an inspector of the Chicago division, who, after investigating the case, submitted the facts to the district attorney, and he directed the arrest of Upton for using the mails in a scheme to defraud. The arrest was reported to the Department by the inspector, who recommended a fraud order against Upton.

Barrett's ruling upon the advertisement was that it did not violate the lottery law. Upton was arrested for using the mails to defraud and not for conducting a lottery. The fraud order, however, was not issued; but under date of February 11 the Assistant Attorney-General wrote a letter to the Fourth Assistant Postmaster-General protesting against the action of the inspector in causing Upton's arrest, stating that the attention of the inspector should have been called to the ruling of his office that the advertisement was not in violation of the lottery law. In this letter the Assistant Attorney-General says:

While the question of fraud was not treated specifically, we would not have ruled that the advertisement was admissible to the mails had anything fraudulent appeared on its face.

In a letter dated July 5 to the Attorney-General, Assistant Attorney-General Tyner, referring to Upton's advertisement, says:

The advertisement is somewhat suspicious, but it does not come within the prohibition of the law. I believe the post-office inspector erred in bringing the case to the attention of the United States attorney, and that the latter would not have disregarded the demands of justice if he had ignored the complaint. Unless there were facts in the case of which we then had no knowledge or any not since reported, I am free to say that the prosecution was unwarranted and that it should cease.

Upon the receipt of this letter the Attorney-General addressed a letter to the district attorney at Chicago, under date of July 6, in which he said:

From Mr. Barrett's letter it would seem that Mr. Upton was advised that his enterprise was not contrary to law and that he only entered upon it after such advice. If these facts are true, it would seem to be unjust for the Government to prosecute Mr. Upton for offenses committed under the authority of the Post-Office Department. I should deem it adequate if he refrain in the future from violating the law in this respect, assuming that it is your opinion that the publication referred to is violative of the statutes.

Again, on July 8, the Attorney-General wrote:

I inclose a copy of a letter from Mr. James N. Tyner, Assistant Attorney-General for the Post-Office Department, under date of the 5th instant, in relation to the discontinuance of the prosecution now pending in the district court of the United States for your district against C. M. Upton. \* \* \* Inasmuch as this advertisement was submitted to the Post-Office Department and approved before being mailed,



and has now been withdrawn, you are instructed to dismiss the prosecution at once, unless there is known to you some good reason not appearing in Mr. Tyner's letter why it should be proceeded with.

In answer to this letter the district attorney at Chicago wrote the Attorney-General as follows:

JULY 13, 1899.

The ATTORNEY-GENERAL, *Washington, D. C.*

SIR: \* \* \* I beg to state in reference to this matter, that it appears from the letter of Mr. Harrison J. Barrett, dated September 20, 1898, addressed to Mr. C. M. Upton, that Mr. Barrett was of the opinion: "That the awarding of prizes in this contest does not appear to be in anywise dependent upon lot or chance, and, therefore, the advertisement thereof in newspapers and circulars does not come within the prohibition of the lottery law."

You will observe that this opinion of the Acting Assistant Attorney-General for the Post-Office Department simply passes upon the question as to whether this advertisement was a violation of the lottery law, and nothing more.

We are not prosecuting Mr. Upton for the violation of this or any other lottery law; nor are we prosecuting him for the publication of this advertisement. We are prosecuting him for sending letters by mail to different individuals, in which he stated that, upon the receipt of \$2, they would have an opportunity to obtain some of the prizes mentioned in a similar advertisement. The crime we are charging him with is the fraudulent use of the mails by sending these letters. He was carrying out, through the mail, a scheme to defraud. As a result, he has received a great deal of money, and was receiving it up to the time of his indictment, wrongfully.

He led the people to whom he wrote to believe that they would have an opportunity to receive a \$500 prize, together with other prizes, when in fact there was nothing of the kind. If Upton had divided up his \$500 there would have been, perhaps, 5 cents each to go to those who sent \$2, when his letter led them to believe, rightfully, that there would, perhaps, be \$500 for the winner. Upton knew that this was false when he wrote the letters.

So you can readily observe that the matter we are pushing here was not passed upon by any Government officer, the Acting Assistant Attorney-General, or anybody else.

We do not understand that, if through an oversight, a Government officer should apparently sanction the commission of a crime it is the duty of the prosecuting officers of the Government to decline to prosecute such crime. But there is no such question as that in this case. The point raised by us was not passed upon by the Post-Office Department. But if it was, we ask, under the circumstances in this case, if it is not the duty of the Department to let this case pursue the ordinary course?

Is it not better, I beg to ask, to let the whole matter be settled by a court, where both sides can be heard and the fact elicited? Upon the hearing by the court the question as to the effect of Mr. Barrett's letter can be properly settled, and the judge will see that no injustice is done Mr. Upton. Is not this a better way to settle it than an ex parte hearing, either in this office, in the Post-Office Department, or in your Department? Is not that what the courts are for?

We concur with the Post-Office inspectors here in the view that Upton was guilty of a scheme to defraud. He has kept it up until lately, and doubtless will continue it in some way if this indictment is dismissed. There are a great many similar schemes in this city. The inspectors are doing the best they can to suppress them, and we take pleasure in assisting them as far as possible, and we know, of course, that you and your officers are glad to see the law enforced in this as in all other particulars.

This prosecution is no reflection upon any Government officer, as appears to be assumed in the letter sent me.

I have presented the situation as I understand it, and have made the suggestions that appear to me pertinent, and shall take great pleasure in carrying out your instructions in the matter.

Very respectfully,

(Signed)

S. H. BETHEA, *U. S. Attorney.*

To this letter the Attorney-General replied as follows:

AUGUST 11, 1899.

S. H. BETHEA,

*United States Attorney, Chicago, Ill.*

SIR: In the case of the *United States v. C. M. Upton* for alleged violation of section 5480, Revised Statutes, since my letter to you of July 8 last, and your answer to the same, it is made to appear from letters received from the Assistant Attorney-General

for the Post-Office Department and statements concerning the transactions in which Upton was engaged, and upon which the indictment was based, not only that the advertisement itself was presented to the Post-Office Department, but that the manner of business conducted under said advertisement by Upton was disclosed to the Law Division of the Post-Office Department, and Upton was advised that his said advertisement and business were not in violation of the laws of the United States. The Assistant Attorney-General for the Post-Office Department feels that under the circumstances Upton should not be prosecuted, and has so represented to me. Under the circumstances it seems but fair that the prosecution against Upton should proceed no further, and you are therefore instructed to discontinue the same.

Respectfully,

(Signed)

JOHN W. GRIGGS,  
*Attorney-General.*

After the dismissal of this case, Barrett continued to rule favorably upon the schemes of Upton. On December 16, 1899, he telegraphed him at Chicago as follows:

Favorable opinion was given on face of advertisement, with reservation that question of fraud, if any arose, would depend upon subsequent events. Letter follows.

This case of Upton should be compared carefully with that of L. M. Cushman which follows.

#### L. M. CUSHMAN.

L. M. Cushman, publisher of the *Columbian*, of Boston, Mass., was also a deviser of schemes to extend circulation, and operated in almost exactly the same manner as Upton, of Chicago (Exhibit F, pp. 41-46).

Cushman, in his advertisement, printed the picture of a Shetland pony and cart and offered the same as a prize to anyone who could count the number of spokes in the wheel of the cart. The spokes were distinct and could easily be counted. In addition to this prize of a pony and cart, \$50 was offered to anyone coming within one of the correct number, \$25 to those coming within two, \$10 to those coming within three, and \$1 to everyone coming within four. It was also provided that should two or more persons tie in the contest the large prizes should be equally divided. To be entitled to a prize, all must become subscribers to the *Columbian*, the "Great Family Story Magazine."

The conditions of the distribution of the prizes were practically identical with those of Upton. Upton required all prize winners to send \$2, the price of the annual subscription to his weekly. Cushman required all prize winners to send \$2, the price of two annual subscriptions to the *Columbian*. Complaint came to the Department from disappointed patrons, and on July 1, 1899, Barrett, in a letter to the postmaster at Boston, stated:

A review of this advertisement shows that it is designed to attract the attention of children, and the hope is held out to them that they may win a prize of a Shetland pony and cart simply by counting the spokes in the picture of a wheel—a requirement which any child can do correctly. The provision that "should two or more persons tie for any of the larger prizes they will be equally divided" is made to appear as a secondary matter, and is couched in such language that the persons for whom the advertisement is intended can not anticipate the real fact—that there will be thousands of correct answers to the puzzle; that there is no hope whatever of obtaining the pony and cart, and that an equal division of the prize money means only a penny or two for his efforts in solving the puzzle and fulfilling the additional requirement of obtaining two subscribers to the *Columbian*. \* \* \* You are directed to refuse to accept for mailing the circular relating to this scheme, which is herein described and referred to, and advise the *Columbian* of this opinion

While on February 11, the same year, in ruling upon Upton's case, he had said:

The puzzle contained in the advertisement is probably easy of solution, but the fact that the \$500 prize is to be divided among the persons sending the correct answer eliminates all question of chance.

On August 5, 1899, in a letter to the Fourth Assistant Postmaster-General, referring to Cushman's scheme, Barrett said:

Cushman well knew at the time he was sending out those circulars asking for photographs that each person's share would not amount to one cent. \* \* \* It is my opinion that this matter should be called to the attention of the District Attorney, and if he thinks proper indictments should be secured against Cushman. \* \* \* The class of schemes such as those conducted by Cushman are petty swindles of the meanest kind, and every effort has been made by this office to suppress them.

Yet only a month had passed since Tyner had declared that the prosecution of Upton was "unwarranted and should cease."

Why Barrett should make an unusual effort to secure a dismissal of the case against Upton, and at the same time demand that Cushman be prosecuted for exactly the same offense and under the same law, I have been unable to ascertain.

The Assistant Attorney-General, in his report for the fiscal year ended June 30, 1899, urged that his office be given control of all criminal prosecutions under the postal laws. He said:

I respectfully submit \* \* \* that the management of prosecutions of offenses against the postal laws should devolve upon this office.

That he wanted control of these prosecutions for the purpose of preventing the prosecution in one case and enforcing it in another would not be an unwarranted conclusion.

After Barrett retired from office Cushman employed him as his attorney in matters pending before the Department, and paid \$1,000 for his services during the year 1901 (Exhibit F-5).

The cases above cited are only samples of the methods of administration while Barrett was in the office of the Assistant Attorney-General for the Post-Office Department. Many similar cases could be cited.

#### BOND INVESTMENT SCHEMES.

When the Louisiana Lottery Company was broken up by the Federal Government, a number of institutions sprang up over the country embracing lottery features in their methods of business. Conspicuous among these schemes was the class known as bond investment companies (Exhibit F, pp. 47-109).

In 1893 a number of these bond investment schemes were brought before the Department and held to be lotteries, and where the question was taken before the courts the Department was sustained. Assistant Attorney-General Thomas, Tyner's predecessor, in his report for the fiscal year 1894, states:

These so-called bond investment schemes are more dangerous to society than avowed lotteries because their lottery features are strenuously denied, and they are held out by their promoters to the public as legitimate business enterprises.

The general scheme is to sell to the investor a bond with coupons attached, promising extravagant returns of from 1 to 5 per cent a month on investments. The company flourished as long as new people were paying in. The coupons were redeemed from the money

paid in by new customers; but failure in the end was inevitable, and when the crash came all was lost.

During the administration of Assistant Attorney-General Thomas, from May 27, 1893, to May 6, 1897, 193 fraud orders were issued against these bond investment schemes. James N. Tyner entered upon the duties of that office May 8, 1897. On May 14 he addressed a letter to L. P. Skeen, attorney, Atlanta, Ga., ruling against the plan presented by the Georgia Redemption and Loan Company. After discussing the plan of the company at length he stated:

You have, then, the essential elements of a lottery in your scheme. This scheme is directly in the line with numberless plans of companies that have sprung up throughout the country and have been condemned by this office and denied the use of the mails.

There is another feature in your scheme which makes it operate as a fraud. You receive monthly from each contract holder \$1.25. Of this sum you take at once 25 cents for your expense account. The remaining \$1 you divide, giving 50 cents to the reserve fund and 50 cents to your retiring fund. The retiring fund is used entirely every month for the payment of your contracts, as per Table A. Hence you have only 50 cents as a reserve fund to meet the contracts that will fall due at the end of seven years. A moment's reflection shows that if all your contractors continue to pay their monthly dues it will be an impossibility for your company to meet its liabilities at the end of 7 years. In fact, you state on the face of your circular that the reason you hope to be able to carry out the scheme is that so many of your contractors will allow their bonds to be forfeited and the premiums they have paid in lapse to the company. There is no principle of law or equity upon which your company can claim the right to forfeit to itself the monthly payments made by the holders of your contracts. It is totally different from a life-insurance company, because you do not in your contract insure the life of the holder, nor do you undertake to pay the policy upon the death of the holder. Hence your claiming to forfeit or confiscate the monthly payments made by contract holders if at any time they fail to pay their monthly dues is a forfeiture without a consideration. No sane man would enter into such a contract if he fully understood its entire details. If all of them continue to pay their monthly dues, then it will bankrupt your company, and at the end of seven years it will be unable to meet its obligations. If they fail to pay their monthly dues the payments they have made are forfeited to the company without any consideration to the contractors. Your scheme is therefore both a lottery and a fraud.

Tyner says in his statement (Exhibit F-16) that this was a formal letter prepared by his assistant, Mr. Milliken, and signed in a routine way. Nevertheless, the reasoning seems to be clear and the decision sound.

June 1, 1897, Barrett was sworn in as Tyner's assistant.

In May an association of bond investment companies was formed, and sent as representatives to Washington, G. A. Villere, of New Orleans, president of the New Orleans Debenture Redemption Company, afterwards the International Loan and Trust Company, of Louisville, Ky.; S. A. Stevens, of Cincinnati, Ohio, president of the Interstate Loan and Trust Company, afterwards the Interstate Savings Investment Company, and J. Henning Nelms, of Lexington, Ky., attorney for the Southern Mutual Investment Company. These men sought to have the fraud orders that had been issued by the Department revoked. They employed Benjamin Butterworth, who had formerly been an attorney for some of the companies, but who was at that time Commissioner of Patents. They also employed the law firm of Dudley & Michener.

The manner in which these men succeeded is clearly indicated in the correspondence of Villere with J. P. Williams, secretary of his company. On June 24 he wrote Williams as follows (Exhibit F-8):

We have with us now extraordinary political backing, which I am not authorized to explain, but it is of the very strongest, and we are using it for all that it is worth.

\* \* \* Judge Nelms, General Dudley, Mr. Bowman, of Lexington, and myself are the only ones in the secret, and believe me when I say it is the strongest that could have been desired. \* \* \* We have the postmaster, the First Assistant, and Tyner with us, but they seem to be very much afraid to take any step before the whole grounds have been fully covered, all the decisions read, etc. \* \* \* I have got the strongest assurance that the Government is our friend and will do all they can for us. Being sure of this I wanted to return home, but Butterworth, Dudley, and Tyner himself tell me that I must stay here; that I will be needed. \* \* \* Judge Nelms and I have pushed the matter as far as we could yesterday and to-day, and the law clerk of Tyner is hard at work on the case. I can't believe for a moment, with all I know, that it can be possible to fail.

On June 28, four days later, he again wrote:

Had a long interview with the law clerk (very satisfactory); he is a nice fellow and a relative of Tyner's wife; his name is Barrett, and he has charge of this matter of ours and is conducting the investigation. I showed him the paper signed by the president of the different exchanges, and he insisted to keep it and file it with our case, saying we must neglect nothing to make the case as strong as possible, especially if we have to refuse the same privileges granted to you when asked by other companies having the very same plans.

At his suggestion of the other day I filed a petition to-day asking for a suspension of the fraud order against us, and in same certified that we are not using the mails. He then asked me to wire at once to our company as follows:

"Postmaster-General requests us to have our postmaster wire him certifying that to the best of his knowledge we are not using or trying to use the mail," which telegram I sent you and am in hopes you can induce Daniels to do so. He then told me that we would have to change some features of our plans, such as extending the maturity of our bonds or something else, so that they will have the excuse to say our plans have been changed and it is not the same plans passed upon by General Thomas.

He has practically promised as soon as the answer from postmaster is received he would act, and I expect a suspension ordered by about Thursday. We had a long talk about the other companies, and the crude plan now being considered by him is to send a first-class inspector to inspect all companies in New Orleans, we to help him in the investigation of other companies. It is well understood between us that we will give our help to him to crush any company that is not O. K. And we are on the point of making a bargain by which we will not push the Kentucky case, but allow it to be smothered so as to allow the Government to keep on issuing fraud orders. Of course that is provided we get the mails. I am in good spirits and believe more and more that we will get all we are asking for.

This letter was written on Monday, June 28, 1897. It will be observed that Villere predicted that by Thursday the fraud order against his company would be suspended. But he succeeded better than he then expected, the same having been revoked on Wednesday, the 30th.

As a result of Villere's efforts, fraud orders against the companies which this association represented were revoked as follows:

	Dated issued.	Date re- voked.
Guarantee Stock Investment Co .....	Apr. 30, 1897	June 17, 1897
Southern Mutual Investment Co .....	Jan. 21, 1897	June 30, 1897
New Orleans Debenture Redemption Co. (since Apr. 1, 1901, International Loan and Trust Co., Louisville, Ky.) .....	May 26, 1896	Do.
Interstate Savings Loan and Trust Co. (afterwards Interstate Savings Investment Co.) .....	Dec. 4, 1895	Do.
State Mutual Life Insurance Co .....	Feb. 27, 1897	July 24, 1897
Louisiana Debenture Co .....	July 14, 1896	Do.
Germania Investment Co .....	Apr. 14, 1897	July 28, 1897
National Investment Co .....	Nov. 12, 1894	Aug. 12, 1897

I have been unable to ascertain whether Barrett or Tyner received any compensation as a result of their decisions in favor of these companies. Villere says that he entertained freely and had Barrett occa-

sionally for his guest; that he paid his attorneys liberal fees, but nothing to any postal official.

The revoking of the fraud orders against these institutions caused numerous others of a similar character to spring up throughout the country; and as far as the Post-Office Department was concerned they were, for a number of years, given unrestricted privileges in the operation of their schemes. It was announced that no fraud orders would be issued against them until they should have an opportunity to bring the matter before the courts in a test case to determine whether their plans were in violation of the lottery law.

In a letter (Exhibit F, page 52) to C. C. Archer, attorney for the Germania Investment Company, Barrett stated that no action would be taken against his company until such time as a decision might be rendered in the test case, which decision was never rendered; and there was no prospect of such decision being rendered at the time this statement was made. A case, however, was brought by the United States attorney for the southern district of Iowa, in the criminal courts, and an indictment found against Maupin, Christopher, and Ingram, officers of the Missouri Loan and Investment Company, Sedalia, Mo., successors to a company against which a fraud order had been issued.

It appears that Tyner and Barrett desired all criminal action against these concerns should be postponed until some civil action could be brought that would determine their status. A civil suit was afterwards brought in a case at Booneville, Mo., in which Dudley & Michener were the attorneys. It came to naught, and the criminal case, at the suggestion of Tyner, was continued from time to time until May 8, 1900, when it was dismissed.

In a letter to J. Henning Nelms, dated March 26, 1900, Barrett said:

The Department has expected that a judicial decision might be obtained which would settle the questions at issue; but the cases brought for that purpose have for one reason or another failed.

No decision of the courts was ever had. When given the privilege of the mails the companies had no object in asking a judicial determination of their status, and they operated without restraint until December 5, 1900.

Meanwhile bond investment schemes multiplied until there were several hundred in the United States. Many persons believing these institutions sound because they were permitted the use of the mails, and were, in a way, given the approval of the Department, invested in them until the aggregate of the investments they represented amounted to millions of dollars.

Early in the year 1900 Barrett and J. Henning Nelms, of Baltimore, an attorney and agent for the Southern Mutual Investment Company, made a verbal agreement to enter into a law partnership, to become effective January 1, 1901. Shortly after such agreement had been entered into, Barrett announced that he desired to submit all questions affecting bond-investment schemes to the Attorney-General for a decision. Nelms evidently suggested that it would be better for Barrett to render such decision himself. This suggestion was adopted (Exhibit F-12), and on July 3, 1900, Barrett asked the chief inspector to gather the literature of all bond investment companies in the country and submit the same to him for his consideration. In August he also sent out a circular to all these concerns announcing his intention to

rule upon their schemes and asking them to submit briefs and any explanations they desired to make in regard to their methods of doing business. Barrett made a strong statement to the Chief Inspector in regard to the fraud being perpetrated by these concerns and the necessity for an actuary, a well-known authority, to pass upon the questions involved. As a result, D. Parks Fackler, of New York, was employed and passed upon the cases submitted by Barrett. Fackler held that all of the companies were doing business on a fraudulent basis and that they could not be financed out on any sound business principles. Barrett agreed with Fackler's report and made it a part of his opinion (Exhibit F-15).

In a letter to Hon. John G. Carlisle, who represented some of the Kentucky institutions, Barrett stated:

My desire has been to give every company opportunity to be heard. I now have before me some 50 cases.

In a letter to Hon. Dwight Harrison, of Columbus, Ohio, dated October 23, 1900, Assistant Attorney-General Tyner, in referring to Barrett's connection with this matter, said:

Scores of cases of this kind are in his hands, and have been for some time past, upon which, or at least upon the general principles involved, Mr. Barrett has obtained a large amount of data, which he will shortly use in an opinion touching the general features therein.

In a letter to Messrs. Kerr, Page & Cooper, attorneys, New York, under date of October 25, 1900, Tyner states:

I presume that this is one of the numerous crop of bond investment schemes that has within the last two or three years sprung up all over the country. \* \* \* My assistant, Mr. Harrison J. Barrett, \* \* \* has had these schemes under his immediate supervision and consideration for a long time past and has obtained a vast amount of material out of which he expects some time during the last half of the coming month to render an opinion that will apply to the principles involved in most of these cases. \* \* \* I will refer your communication to him.

This opinion, containing over 100 printed pages, was finally rendered on December 5. He held all these bond-investment concerns were fraudulent. On page 11 he says:

I have endeavored to give careful study to these so-called bond-investment schemes. Indeed, for the past two or three years I have been at odd times gathering information thereon, and while the plans of operation that are now before me are, in my judgment, in some of their features inimical to the postal laws, yet I am thoroughly convinced that the basic principle underlying the bond-investment proposition is sound; and if the features which have resulted in giving unequal advantages to persons similarly situated were eliminated, and the returns promised were such that the proposition could be safely financed out, so that all persistent investors could be reasonably sure of the returns promised, the objections to them would be removed.

But while declaring them "inimical" he held open the door of hope. On page 109 he states:

I can conclude by saying that all these schemes as now framed are in the nature of lotteries or similar schemes and are based upon erroneous calculations and blunders from which the public, which will suffer and be defrauded if they are allowed to continue, should be protected; and the promoters of these companies will be much better off in the end if they are stopped now and compelled to put their enterprises on a sound basis before the inevitable collapse comes.

The attention of the companies promoting schemes similar to those herein outlined should be called to this opinion, and, for the reasons heretofore stated, be given a reasonable opportunity to abandon the same or to make such changes as will eliminate all objectionable features before further action is taken by this Department in the direction of depriving them of the use of the mails.

Tyner was the Assistant Attorney-General, yet everything relating to bond investment schemes had been referred to Barrett. Barrett formulated the opinion and signed it on the 5th day of December, 1900, as Acting Assistant Attorney-General, and it was approved by Tyner as Assistant Attorney-General.

There was a studied effort to give Barrett a conspicuous position in relation to the bond-investment business during the entire year. A letter was prepared for the signature of the Postmaster-General, initialed by Barrett, approving the opinion (Exhibit F-14).

It doubtless was very suggestive to the promoter of a bond-investment scheme to read the following closing sentence of Barrett's opinion:

These companies should be given a reasonable opportunity to abandon the same or to make such changes as will eliminate all objectionable features before action is taken by this Department in the direction of depriving them of the use of the mails.

That is, they are fraudulent institutions, and are not entitled to the use of the mails; but fraud orders will not be issued against them until they are given an opportunity to amend their schemes so as to come within the law.

The same mail that carried this opinion and decision to the bond-investment concerns also carried to them an announcement that Barrett had resigned from the Assistant Attorney-General's office and had formed a law partnership with J. Henning Nelms, of Baltimore, and the business of these companies was solicited. They were advised that their business was fraudulent; that they must reconstruct their plans, and that Barrett was ready to help them reconstruct as required. The result was that even before he retired from office many of these concerns were seeking his legal services. To J. P. Williams, on December 20, 1900, ten days before his resignation became effective, he wrote (Exhibit F-10):

I have received your favor of the 17th instant. \* \* \* While my work at the Department has practically ceased, yet my official connection will not be severed until December 31, so that I would not feel at liberty to discuss ways and means with you. My associate and I will be pleased to act as your attorneys after December 31, and you could, of course, correspond with Mr. Nelms now. I believe we can eliminate all the objectionable features in the contracts and put them in such form that they will meet with the approval of the Department. Our fee would be \$1,000 retainer and \$100 a month for twelve months.

About December 15 he agreed (Exhibits F-5 and F-24) with G. W. Morgan, president of the Continental Security Redemption Company, of Birmingham, Ala., to prepare for him a contract satisfactory to the company and that would meet the approval of the Department, for which he was to receive \$500 down and six \$50 monthly installments. Barrett states that he did nothing for this company before he left the office, but Morgan insists that he took and filed the new contract before January 1.

Elmer Miller of Columbus, Walter Brown of Toledo, and S. A. Stevens of Cincinnati were all in Washington on bond-investment business during the holiday week of 1900. They state (Exhibit F-9) that Tyner was unwilling to take up their cases until after January 1, and that they were delayed from day to day until December 31, when Barrett announced that after 4 o'clock on that date he would be able to attend to their business. By agreement they met him at Nelms's home



in Baltimore the same night, where Stevens made a contract to pay him \$150 as a retainer.

Mr. Charles A. Spenny, representing the Equitable Debenture Company, of Columbus, Ohio, called on Assistant Attorney-General Tyner on January 5, 1901, five days after Barrett had retired from office, to discuss with him the affairs of the company. In referring to this interview Mr. Spenny states (Exhibit F-20):

I went to the Post-Office Department, before General Tyner, and asked him when I could have an interview, telling him who I was and what my business was. He asked me if I had an attorney in the case, and I informed him that I had not, and he suggested that it might facilitate matters if I would have an attorney who was acquainted with that class of business. Being a stranger in the city and not knowing anyone, I asked him who would be a good man. He said that Mr. Harrison J. Barrett was thoroughly conversant with the law, as he had been in the Department and had passed on these questions, and that he would make a good man, and that there were other equally good lawyers in the city. I asked him where I would find Mr. Barrett, and he thought that he might still be in the Department; that he had been there that day, and sent one of his clerks to see; but upon the return of the clerk it was found that Mr. Barrett had left for Baltimore, Md. I then went to Baltimore that evening and met Mr. Barrett. \* \* \* I asked him what he would charge as his fee for going before the Department with the certificate. He replied that if he went before the Department and the certificate was approved he would want \$1,000. I agreed with him that if he would have the certificate approved we would pay him \$500. \* \* \*

Barrett the next day presented the matter to Tyner, and the certificate was approved. Spenny returned to Columbus, but his company soon failed as a result of the decision of the supreme court of Ohio, on March 26, 1901, declaring that such schemes were frauds and lotteries and against public policy.

#### SOUTHERN MUTUAL COMPANY.

The Southern Mutual case of Lexington, Ky., probably more clearly illustrates the scheme of Barrett, Tyner, and Nelms than any other. Nelms was the attorney for the company and his wife was a stockholder. A fraud order had been issued against this company by Assistant Attorney-General Thomas on January 21, 1897. On June 30, 1897, Barrett revoked this order. As has been said, Nelms and Barrett entered into an agreement of partnership early in the year 1900 (Exhibit F-18). The agreement was not reduced to writing, however, until the following December. In the meantime Barrett was collecting information for his opinion on bond-investment concerns. On June 25, 1900, six months before Barrett retired from office, but after he and Nelms had decided upon their plans for a partnership, Nelms wrote A. S. Bowman, secretary of the company (Exhibit F-13), as follows:

I inclose you, confidentially, of course, a note I have just received from Harrison J. Barrett, Acting Attorney-General for the Post-Office Department. He will probably spend Thursday or Wednesday night with me, and it is likely that the question of the Southern Mutual will come up \* \* \* so I write to ask you to advise me by special delivery just what position I shall take in talking with him on the subject.

Bowman answered June 26, saying:

Find out all you can and commit yourself as little as possible.

June 30, Nelms wrote Bowman in "strictest confidence" as follows:

Last night, Mr. Barrett, Assistant Attorney-General, came over and we had several hours together. \* \* \* I think I can say to you that you and the company

may safely rely that you will have absolutely no trouble from the Department. In the fall, if the company desires it, I can take copies of the certificates and prospectus to Judge Barrett and get an official opinion from him, sustaining them as entirely legitimate.

On July 2, he wrote Breckenridge and Shelby, Lexington, Ky., attorneys for the Southern Mutual, in which he says:

I now write you however in closest confidence, because I obtained my information as a friend of Assistant Attorney Barrett. \* \* \* Mr. Barrett has decided not to submit the matter to the Attorney-General but to write the opinion himself, and he will make the discrimination as to which companies should be prohibited. He will not take up the Southern Mutual at all \* \* \* unless we request it. \* \* \* I am exceedingly glad that he is going to write the opinion himself instead of submitting it to the Attorney-General.

By reference to Exhibit F-13, it will be seen that numerous letters passed between Nelms and the officers of the Southern Mutual Company during the summer and fall which show that Nelms was in close confidential communication with the Department in regard to the interests of this company. On November 16, he wrote Bowman, saying:

Yesterday afternoon I had a long conversation with Mr. Barrett, and I know it will gratify you that I can tell you positively certain things that you can rely on in the coming decision.

First. The general plan and scheme of the investment companies will be sustained.

Second. The wild-cat companies will be required at once to change their contracts.

Third. The contract of the Southern Mutual will be either sustained in toto, or will be left alone for several months so as to give it ample opportunity to make the necessary change of its own accord.

Fourth. The Southern Mutual will be permitted to retain its present method of redemption.

I think you will agree with me that the above accomplishes the purpose of our trip to Washington. Of course you will realize the importance of the public not being made acquainted with the contents of this letter.

On November 24 he again wrote Bowman:

You can rely on what I have formerly written you in regard to the coming opinion from the Attorney-General's Office for the Post-Office Department, but the opinion will be such that I write to advise you at once to compromise the suit which you have against the insurance paper, and this should be done immediately. I mean before Thursday of this coming week.

D. Parks Fackler, the actuary employed to pass upon the merits of the various bond-investment concerns, in referring to the scheme of this company (Exhibit F-15, pp. 100-102), said:

The company proposes to give to each certificate holder \$1,000, or three amounts of \$333.33 each, being the amount of 3 coupons attached to each certificate, at the end of 140 months, by which time 141 payments of \$3 each, or \$1 per coupon, will have been made. Speaking more accurately, the contract "is to mature" at this time, and the monthly payments are then to cease; but the absolute payment is made contingent upon the reserve fund being sufficient to pay the certificate at that time and is to be deferred until the reserve fund is sufficient to pay all unmatured certificates or coupons.

The certificate provides that 10 per cent of the monthly dues may go for expenses, and it can not be assumed that their expenses will be less. Another 10 per cent is to go into the equation or loading fund and used for the best interests "of the company." \* \* \*

Assuming that the company employs only 10 per cent for expenses, Mr. Fackler states that—

Ninety cents paid in on each coupon at the beginning of each month for 140 months and at the end of the last month, making 141 payments in all, if invested at one-half of 1 per cent a month would amount only to \$183.65, instead of \$333.33, due on each coupon. The payments would then cease, and it would then be necessary

to wait 120 months before the above sum, compounded at one-half of 1 per cent per month, would equal the \$333.33, which would thus not be paid until twenty-one years and eight months from the issue of the original certificate. It would thus be impracticable for the company to fulfill its obligations under circumstances which are more favorable than are provided for under its contract; it is clear that it can not do so under the actual provisions of the contract without profits from lapses and other sources.

This company therefore could not meet its obligations except from lapses or new business. Barrett, on pages 46 and 48 of his opinion, holds that the company depending on lapses is fraudulent; and the same opinion is held by the Attorney-General. (Vol. 23, p. 512, Opinions Attorney-General.) Barrett also, pages 99 and 100 of his opinion, holds the scheme of this company to be a lottery. He says:

The consideration in this scheme is apparent. An examination of the financial schedule shows that the total early redemption values vary at different periods, considering the amount and time of investment. The returns range from 31 per cent, compound interest, on a coupon redeemed at the end of forty-eight months, down to 13 per cent on a coupon redeemed at the end of one hundred and forty-four months. The payment of these different returns among persons similarly situated are prizes, and the distribution thereof is dependent upon chance, as heretofore shown under class 1.

Referring to the fraudulent features, same pages, he says:

As to the impossibility of carrying out this proposition, reference is made to the report of Mr. David Parks Fackler, consulting actuary, under Subdivision B. The scheme is fraudulent, as well as in the nature of a lottery, so far as the use of the mails in the promotion thereof is concerned.

Barrett, therefore, in his opinion declared the principles upon which the Southern Mutual was doing business had the features of both a lottery and a fraud. On the 21st of December Nelms secured the approval by Assistant Attorney-General Tyner of a plan for this company, which it was never intended should be operated. The purpose was to enable the Southern Mutual officers to declare that the plan of their company had been approved by the Department, and prevent a panic among their patrons, which the Barrett opinion was likely to create.

The company was at that time collecting about \$30,000 per month premiums on business which had been declared unlawful by Barrett's opinion. The approval of this plan enabled them to pass the critical period and reconstruct at leisure. They did not stop operating the business according to the old plan which had been declared fraudulent, and on July 1, 1903, there were still outstanding 3,700 coupons on the old business basis.

Nelms's plan had worked so successfully that after January 1 he claimed his reward. On January 5, five days after the partnership contract between Nelms and Barrett became effective, he wrote Bowman (Exhibit F-13) stating:

I am going to ask you to send me at once a check for \$350 on fee. In the meantime, I wish you would state to your board of directors just what I stated to you and Mr. Bronston when you and he agreed to pay me \$1,000 fee to get General Tyner to say he would approve the contracts submitted to him. I did not want you nor Mr. Bronston, nor am I willing for the board of directors to imagine that I would charge them \$1,000 for two days' work. \* \* \* The many days that I have spent in working to get an acknowledgment from the Post-Office Department that the basic principles of the business were sound, and to get an opinion written by Barrett, who I knew felt kindly toward the business and the men engaged in it, instead of letting that opinion be written by the Attorney-General, \* \* \* I think entitles me in fairness to the fee you gentlemen named.

The controversy as to fee was finally settled by the company agreeing to pay \$1,100, \$500 for the work dating prior to January 1 and \$50 a month for the year 1901. Nelms thinks that this \$500 went to him, and no part of it to Barrett; but the books of the firm of Nelms & Barrett show that the \$500 was entered as partnership fees.

Bowman seemed to object to the way in which Nelms put the question of the \$1,000 fee more than to the amount of the fee. In a letter to him January 19, 1901, he says:

I am not answering for the purpose of evading the question of paying a liberal fee, but I do not desire to go on record as having said that we agreed to give \$1,000 for General Tyner's simply saying he would approve our contract.

On March 8, Christianity, as Acting Assistant Attorney-General, sent a circular to the officers of the Southern Mutual, which stated that—

This office has been advised that several bond investment companies have misunderstood the ruling of this Department and are continuing to issue their old forms of contract, which have been held to be inimical to the postal laws, until such time as they can formulate new plans which will be satisfactory to them and meet with the approval of the Post-Office Department. No such course was intended by the Department; and if your company is still writing its old forms of contract and using the mails in connection therewith, you must discontinue the same at once.

To this Mr. Bowman replied:

I do not know what other companies have understood, but I do know that General Tyner stated to Mr. Bronston and myself in language plain, clear, and unequivocal, and that could not be misconstrued, that this company could continue to issue its old contract until time could be had for its approved contract to be gotten from the printer and placed upon the market. \* \* \* Upon Mr. Bronston's and my first visit to General Tyner on December 19 (a few days after the rendering of what is known as the Barrett decision), we explained to him that this decision had caused a panic among our present certificate holders. \* \* \* General Tyner assured us that it was not the intention of the Department in any way to interfere with the contracts already written, and stated to Mr. Bronston and myself that we could come home and assure our certificate holders that the ruling of the Department would in no way interfere with contracts already issued. He stated to us that we could use this statement as authority from him to our certificate holders.

It appears that Bowman was not willing to forfeit the advantage he had gained by the approval secured through Nelms and for which he paid \$500. Christianity referred this matter to Tyner, who was then at Palm Beach, Fla., and in a letter to Christianity on March 21 Tyner confirmed Bowman's understanding in the following note:

That he regarded my statements as authority to write the old contracts until he could construct new contracts and substitute them for the old ones is not surprising or unnatural, for it is probable that my assurances to him were not then as precise as I would now extend in the light of subsequent experience, not with his company especially, but with bond investment companies generally. I believe that he and his official colleagues have acted in good faith with the Department right along. \* \* \* You may furnish a copy of this letter to Mr. Bowman as a reply to his of the date mentioned,

The letter of approval of the plans of this company on December 21 was dictated by Tyner to Haze Morgan, a stenographer in the office, from manuscript prepared by Barrett, with interlineations in his own handwriting. Morgan recognized at the time he was writing the letter that this approval was in violation of Barrett's written opinion filed but two weeks before (Exhibit F-17).

It will be remembered that other companies were compelled to wait for a hearing until after January 1, while the Southern Mutual was given a formal approval and permission to continue its old plan of business for months without being disturbed.

## WANTED PROSECUTIONS HELD UP.

While Barrett was planning for extensive legal practice before the office of the Assistant Attorney-General after January 1, he did not overlook the fact that the inspectors who investigate complaints against those violating the postal laws were not under the direction of the Assistant Attorney-General's office. And he evidently was apprehensive lest the inspectors and the district attorneys might bring criminal proceedings against some of these concerns before he had an opportunity to reconstruct their schemes.

On December 13, eight days after the opinion was rendered, Barrett prepared a letter, which Tyner signed, addressed to the Fourth Assistant Postmaster-General, who has the direction of the inspectors' force, saying:

Your inspectors should call the attention of this office to any schemes that are being operated similar to those set out in the opinion, in order that the companies may be notified to discontinue or modify the same. If after a reasonable time the companies to whom such notices are sent shall not comply with the terms thereof and adopt a new plan, which shall be held to be admissible to the mails by this office, I will thank you, whenever cases of this character come to the attention of your inspectors, to direct them to report the facts to this Department for reference to this office.

Of course, this Department has nothing to do with any criminal prosecutions that may be instituted upon the motion of the district attorney; but I suggest, in view of the status of these cases, that none of them be presented to district attorneys by post-office inspectors for prosecution until the matter has been referred to this office for consideration.

This was a very unusual request, since it has never been the practice of the Assistant Attorney-General for the Post-Office Department in any way to control criminal prosecutions. The inspectors, in their book of instructions, are directed to submit all cases of this character to the United States attorney in the district where such offense is committed.

Mr. K. G. Pulliam, of the American Investment Company (Exhibit F-19), had employed ex-Secretary Carlisle as attorney to represent him in his efforts to prevent the issue of a fraud order against his company, which he expected as a result of the Barrett decision. Pulliam states that, after looking up the matter carefully, Mr. Carlisle advised him:

There are only two ways of accomplishing this: The first, to take the matter into the Federal courts, at a likely expense of \$25,000; the second, to employ Messrs. Barrett & Nelms, a newly organized law firm who stood close to the Tyner crowd. But if it was to be done this way he would have nothing to do with it.

Pulliam, however, was not so sensitive as the ex-Secretary. He employed Barrett & Nelms and contracted to pay them either \$1,000 or \$1,200 as a retainer, he does not remember exactly which, for fixing the contract satisfactorily, and a further compensation of \$600 per annum, in monthly payments of \$50 each.

The books of Nelms & Barrett show that during the first fifty-five days of their partnership they received \$6,600 from these bond-investment concerns.

The changes in the contracts suggested by Barrett, for which he received such liberal compensation, were very slight, so slight that the same names, tables of value, and the same literature were used by the companies under the new contracts as under the old. Many of the old contracts guaranteed to pay a certain amount at a fixed time. Barrett suggested a modification providing, in effect, that

such payments would be made if there were funds on hand to pay, or so soon thereafter as the reserve and profits would warrant. Clauses of this kind were inserted with consummate skill so as not to attract attention, and the same old tables of estimated profits, with few exceptions, remained. Villere says (Exhibit F-8):

In 1897 Barrett told me that we would have to change some features of our plans \* \* \* so that they will have the excuse to say our plans have been changed, etc.

Barrett was then an officer of the Department. Afterwards as attorney for the fraudulent concerns he furnished the Assistant Attorney-General's office the excuse, as he then suggested. Barrett's making over, however, could not put business vitality into fraudulent institutions. One by one these companies have failed, until only three or four of the old ones are now doing business.

The Interstate Savings, Loan and Trust Company, of Cincinnati, which paid Nelms & Barrett a fee on the night of December 31, 1900, was, on March 26, 1901, by the supreme court of Ohio, declared a fraud and a lottery. Its assets were \$300,000; its liabilities \$2,000,000. A fraud order existed against this concern when Barrett and Tyner came into office, but was revoked June 30, 1897.

#### WANTED INSPECTORS.

Barrett and Tyner, not being able to control the operations of the inspectors in the investigation of these frauds, conceived the idea that bond investment companies could be more securely watched if the inspectors who examined into complaints against them should be placed under the control of the Assistant Attorney-General's Office. At Tyner's most earnest solicitation, the Postmaster-General appointed a clerk in the Assistant Attorney-General's Office as inspector, and assigned him to Tyner's office to work under his direction. A strong effort was made to have Congress appropriate \$7,000 for the purpose of employing two of these inspectors, independent of the regular inspectors' force, who should devote their entire time to the investigation of bond investment concerns. This request, however, Congress refused (Exhibit F, p. 104).

At first a post-office inspector attached to the regular force was directed to accompany the Assistant Attorney-General's special inspector. They investigated a number of concerns and reported adversely, recommending fraud orders. The greater the number of investigations, the more cases before the Assistant Attorney-General's Office for consideration, and therefore the more business for attorneys in that practice. Many of these concerns, when investigations were begun, immediately sought the services of Nelms & Barrett (Exhibits F-9, F-19, F-24). Others were referred to Barrett by Tyner.

For over three years, while Barrett was in office, only one fraud order was issued against a bond investment company; but after he resigned and notified them that he was ready to reconstruct their contracts, and they had been given a reasonable time to comply with the requirements set forth in his opinion, no mercy was shown. During the first six months after he retired from office no fraud orders were issued against these concerns, while during the twelve months following this period 155 were issued.

Mr. A. G. Morgan, representing the Fayette Investment Company, Lexington, Ky., stated (Exhibit F-21) that when his company was

investigated he concluded it would be necessary to employ legal counsel before the Department, and that instead of buying a railroad ticket to Washington he bought one to Baltimore, that he might first consult Barrett & Nelms before presenting his matter to the Department.

Barrett's relations with the Assistant Attorney-General's office were such that he knew the movements of the inspectors who were to investigate bond investment schemes. He wrote to the Tontine Loan & Security Company, of St. Louis (Exhibit F-22), clients who were paying him \$175 a month, and advised them in advance that they would be called upon by inspectors, and at their request he promised to delay the investigation until they were ready. In February, 1903, his contract with the company expired, and it did not reemploy him. Within 30 days from this time the inspector attached to the Assistant Attorney-General's office investigated its affairs and recommended a fraud order.

Most of the contracts made by Nelms & Barrett with clients were for the year 1901. For some reason they dissolved partnership at the end of that year. Barrett solicited a continuance of employment from a number of companies, while Nelms entered a theological seminary for the purpose of preparing himself for the ministry.

#### PHYSICIANS' INSTITUTE.

Barrett's practice after retiring from office, however, was not confined wholly to bond-investment concerns. The Physicians' Institute of Chicago was one of his clients. This concern advertised a magnetic belt "free." To any one answering this advertisement a symptom blank was sent, to be filled out and returned, with the statement (Exhibit F-27):

If we find your case is a-curable one, we will immediately send you the "Supreme" electric belt without a cent of cost to you.

In every case this concern claimed that the symptom sheet filled out by the prospective patron showed a complication of diseases. It had ten stock letters to describe the different ailments. Each one of these letters stated (Exhibit F, page 110):

We deemed it advisable to call an extra session of the consulting staff of the institute in order to consider your case in detail.

The condition of the patient was invariably such that a belt alone would render no service; and a package of special medicine was forwarded in connection with the belt, by express, C. O. D., \$5.60. If the victim declined the package, correspondence was entered into and finally it was released upon the payment of \$1, if no more could be secured, with the assertion that the belt alone was worth \$25, and the treatment \$15.

Complaint was made to the Department and the case was investigated by the inspectors, who had a physician fill out one of the symptom blanks indicating a man in perfect health; but the same scare letter and the same express package came.

The company realized, when they discovered that the inspectors were investigating their operations, that there might be danger ahead, so F. B. Kidder, their secretary, engaged the services of Harrison J. Barrett, and paid him \$5,000—rather a liberal fee for a young attorney who had been in the practice less than a year. Kidder states that he employed Barrett because he was advised "as to his special ability to handle mail-order business." On October 26, 1901,

he wrote Barrett a letter, three pages in length, which stated the company's case so well that Barrett did not deem it necessary to rewrite the letter or change any part of it, so he simply erased his own name and inserted that of the Assistant Attorney-General and forwarded the letter to Tyner.

On November 13, 1901, Barrett filed a brief which he had prepared, to which he signed the company's name. Then he sent to Tyner's home address a note inclosing the draft of a letter which he asked should be written to him by the Assistant Attorney-General, closing the case. He also prepared and inclosed to Tyner the form of an indorsement to be used in returning the case to the inspector. This note reads as follows:

I inclose two suggestions: (1) letter to me; (2) indorsement on return to inspectors. No hurry about case going back to inspectors, if you agree with my opinion, for two or three weeks; speed is not an essential on that score, but if your opinion agrees with mine, would like to know it when convenient.

I really think you have no ground on which to act, and that I have shown this conclusively. If not, send me a memorandum and I will respond further. If you do dismiss case, hope you won't feel you have to ask further investigation or recommend prosecution, but merely return it in the manner suggested in memorandum.

I want you to do just what you think right. I would not have taken this case, except I was convinced there was no violation, and will, of course, be pleased if you take the same view. \* \* \* Will be over to-morrow.

H—.

The case was closed as suggested, and its return to the Fourth Assistant Postmaster-General was delayed as requested. It was not received at that office until November 30. Carbon copy of the reference, however, which is on file in the Assistant Attorney-General's office, is dated November 19.

#### TURF INVESTMENT COMPANIES.

E. J. Arnold & Co., of St. Louis, Mo., were conducting what is known as a "turf investment" scheme. They claimed to own a large number of race horses, and that in betting and book-making these horses earned for the company enormous profits; that out of these earnings they could pay dividends of from 2 to 3 per cent a week on investments. These dividends were actually paid, because credulous people readily invested, and the receipt of such profits encouraged the investor to put in more money. The dividends, however, were not paid from the earnings, but from the money paid in by new investors. As long as money came in faster than it was necessary to pay it out as dividends the company could continue, but in the end a crash was inevitable.

The inspectors began an investigation of the company on October 18, 1902. It furnished a statement of assets, but its liabilities were concealed, the officers claiming that they could not divulge the names of their clients, and an estimate alone was given. They also stated that a record of the earnings from the race track had not been kept. The inspectors directed them to keep such a record for thirty days, and postponed their report for that purpose. Meanwhile, the local attorney, a Mr. Fauntleroy, anticipating possible trouble from the inspectors' report, employed Harrison J. Barrett to represent the company before the Department. Barrett, in his statement of August 5 (Exhibit F-5),



referring to a conversation he had with Gill, manager of the company, says:

In the conversation with Mr. Gill I told him it was not a question of any favoritism. It was simply a question of whether he was conducting this business in accordance with the law.

Why Barrett should have thought it necessary to advise Gill that he would not treat his company with favoritism does not appear. If he were practicing before the Department as any other lawyer, how would it be possible for him to extend a client any special favoritism in connection with the rulings of the Department?

It was agreed that Barrett should receive \$5,000 as a retainer, which money was paid—a very liberal fee, considering the fact that the company not only had its local St. Louis attorneys, but also Dudley & Michener, of Washington, D. C., as counsel.

Barrett visited St. Louis November 10, to examine into the affairs of his new client. On November 15 he wrote the Assistant Attorney-General, submitting certain circulars and certificates of Arnold & Co., on which he desired an opinion as to whether such circulars were mailable. In this letter he stated:

The company holds in cash or assets to-day a sum far in excess of deposits made with it. All dividends are paid out of actual earnings. \* \* \* Prior to July 1, 1902, only actual earnings were paid. Since then 3 per cent a week was guaranteed and has been regularly paid out of the earnings. To obviate any criticism or question, this guarantee is eliminated, and depositors will share in the profits, whatever they may be, to the extent of 3 per cent a week.

Formerly the company had guaranteed 3 per cent a week. At Barrett's suggestion the wording was so changed as to read: "Depositors will share in the profits to the extent of 3 per cent a week." This letter was signed by Barrett, and Dudley & Michener.

Tyner promptly approved the literature as requested, and on November 17 wrote the postmaster at St. Louis to accept it for mailing.

Assistant Attorney-General Tyner was stricken with paralysis in July, 1902, and was at the Department very little after that date. On the 15th of November, as he remembers (Exhibit F-16), Barrett and other attorneys presented a communication requesting a ruling on certain circulars, which he approved. This letter of approval was the first official letter signed by him since July 1. On the 25th of November, seven days after the signing of this letter, the inspectors completed the investigation and reported (Exhibit F-28) that the dividends paid were enormous; that the company did not clearly show whence they came; that means for verifying the assets of the company had been refused, and that it was impossible for them to ascertain whether the dividends paid were earned or not, or whether the concern was solvent or insolvent. They therefore recommended that Arnold & Co. should be cited to show cause why a fraud order should not be issued against them. They were not cited, however, to show cause, nor was a fraud order issued; but instead, at Barrett's request, a favorable ruling was given the company. This ruling reads as follows:

DECEMBER 4, 1902.

Messrs. E. J. ARNOLD & Co.,  
*Benoist Building, St. Louis, Mo.*

GENTLEMEN: In accordance with the request of your attorney that you be advised as to the action of the Department in connection with the recent investigation of your business by post-office inspectors, I beg to inform you that the report of these inspectors has been received, the same considered, and the case against you closed.

It is proper, however, to remark that the closing of the case by the Department does not necessarily prevent the reopening of the same and the taking of such action thereafter as may be deemed necessary if any violation of the law should be brought to its notice.

Very respectfully,

(Signed) JAMES N. TYNER,  
Assistant Attorney-General for the Post-Office Department.

The letter was mailed to Barrett and by Barrett to the company's local attorney at St. Louis. On December 6 he wrote Gill, manager of the company, saying:

Confirming my telegram of last night, I mailed to Mr. Goodman official letters of the Post-Office Department. He will bring them to you.

In regard to the Enquirer matter, I consider the article a good one. I took the matter up again, however, and it will be fixed. \* \* \* Congratulating you upon the satisfactory closing of the incident, and thanking you for your courtesies, I am.

The article in the Cincinnati Enquirer referred to was as follows:

*Satisfied are Federal authorities with the nature of the business of a St. Louis stable.*

The Post-Office Department has submitted a ruling to the postmaster at St. Louis, Mo., according to E. J. Arnold & Co., of the Mound City, the privileges of the United States mails.

In the Enquirer for August 28 of the present year there appeared a short item intimating that the business of Arnold & Company was under surveillance of the Federal authorities. It appears from the strong and sweeping ruling above referred to that the latter are perfectly satisfied as to the nature and character of the transactions in which Arnold & Company are engaged. In addition to the conduct of a turf investment bureau, which, it is said, pays weekly 3 per cent dividends, the firm owns a number of racing horses. They are given a good rating by a number of financial institutions.

The agents of Arnold & Company seem to have had a prior understanding that a letter was to be secured from the Assistant Attorney-General. Their representative in California, P. L. Kaye, wrote from San Francisco, December 3, the day before the Tyner letter was written (Exhibit F-28):

I understand that the postal department will issue a statement that E. J. Arnold & Company are doing a safe business. Of course you will have such a statement printed. Please send me a couple of hundred copies of it. Now is the time for us to call the attention of the postal people to the several turf commissioners operating out here and put them out of business.

The Tyner letter was printed with the second paragraph omitted, and became a part of the advertising literature of the company. Two days after Tyner wrote this letter, Barrett deposited Arnold & Company's check for \$1,000, this being an additional fee.

Christiancy claims that he protested against Tyner's writing this letter, and urged Barrett not to ask him to do it; but his protest was of no avail. Tyner dictated the letter personally and requested Christiancy to sign it. Christiancy says (Exhibit F-29) he declined, declaring that he would resign his position first. Tyner then asked Miller, an assistant attorney in the office, to initial the letter, which Miller did. This indicates that Tyner himself had some misgivings as to the ultimate end of this transaction and sought to have some one share with him the responsibility.

The Arnold letter was the last official decision of James N. Tyner, Assistant Attorney-General for the Post-Office Department.

This indorsement of the Arnold company gave a new lease of life to the concern. But the inevitable end could not be postponed long. It came in February, two months later, when the company failed with

assets \$75,000, liabilities \$3,120,776. This was the condition of the company which Barrett stated had in cash or assets a sum far in excess of deposits, and which was using only its actual earnings in payment of dividends. And on such statement, in the face of the adverse report of post-office inspectors, Tyner delivered to him a letter of approval, which letter enabled him to earn \$6,000 in fees and authorized the company to defraud the credulous public out of thousands of dollars during the remainder of its brief career.

J. J. RYAN & COMPANY.

J. J. Ryan & Company, of St. Louis, was a kindred institution to Arnold & Company, and conducted business in the same manner. The inspectors investigated this concern October 4, 6, and 7, 1902. In their report (Exhibit F-30) they stated that the officers of the company refused to afford them facilities for verifying the statements of assets and liabilities; that the funds were not being used exclusively in the bookmaking business, as advertised; that dividends were guaranteed, amounting to from 1,200 to 1,400 per cent per annum; that the company's literature contained misrepresentations, and that the scheme depended upon new business for continued existence; and recommended that the concern be cited to show cause why a fraud order should not be issued against it.

Christiancy, Acting Assistant Attorney-General, cited the company to appear, as recommended by the inspectors, fixing the date for November 11. At the hearing Christiancy presided for a time, but afterwards turned the case over to Assistant Attorney Miller. The result of the hearing was that Ryan agreed to furnish the inspectors all of the information desired. Amendments to the literature were to be made along lines suggested by Miller, and Ryan was to demonstrate to the inspectors, when they called again, his ability to pay all obligations.

As prearranged with Ryan, Miller then requested another investigation by the inspectors, which was made on November 26 and 28. Ryan, thus previously advised, was found awaiting their visit with plenty of cash on hand, according to the records he furnished, to offset the amount shown to be due subscribers on November 11. The inspectors were suspicious of the showing and reported the fact to the Department with the statement—

that the solvent condition of to-day was no indication of the condition to-morrow.

In the meantime, on November 21, after Ryan's visit to the Department and before the reinvestigation by the inspectors, Ryan received a letter (Exhibit F-30) from J. M. Johns, attorney, Rockville, Ind., saying:

If you will meet me at Filbeck House, Terre Haute, Ind., soon I can be of service to you as attorney in your business. Bring samples of literature. Wire me date of meeting.

A number of telegrams were exchanged, and finally, on the 28th of November, the two met at the Filbeck House, Terre Haute, Ind., where Johns informed Ryan that D. V. Miller, assistant attorney in the Post-Office Department, was a close political friend of his; that Miller had consulted with him before he accepted the position at Washington; that the salary was small and not of much consequence;

that the "trimmings" were all that amounted to anything, and suggested that he would get Ryan out of his trouble with the Post-Office Department and a clear passage from the man who passed on all of Ryan's business for a fee of \$5,000.

Ryan seems to have protested, but fearing the result of an outright refusal, he offered him \$2,500, which proposition Johns took under advisement. That evening Johns made Ryan another offer to the effect that for \$3,500 he would have Ryan's literature adjusted by Miller so that it would pass the most rigid investigation by post-office authorities. Ryan offered \$2,000 for this service, which Johns agreed to accept, protesting that it was a very small amount when divided between himself and his friend Miller. The two parted, apparently having concluded that \$2,500 should be paid for a "clean bill" before the Post-Office Department, and \$2,000 for Miller's amending the literature—\$4,500 in all.

This meeting between Ryan and Johns occurred November 28. On December 8, D. V. Miller initialed and Acting Assistant Attorney-General Christianity signed the following letter, almost an exact reproduction of the letter to Arnold & Co., signed by Tyner four days previously:

D. V. M.

DECEMBER 8, 1902.

MESSRS. JOHN J. RYAN & Co.,  
St. Louis, Mo.

GENTLEMEN: Your attorney has requested that you be informed of the decision of this Office in relation to your case which has been pending before it since the 11th day of November, 1902, and in accordance therewith I beg to inform you that the additional information required by this Office at the time of the hearing has been furnished by you to the post-office inspectors, and that their report has been filed, considered, and the case against you closed.

It is, however, proper to say that the same will be reopened if it should in the future be reported to this Office that you are conducting your business in violation of law, and such action taken as is deemed proper.

Very respectfully,

(Signed)

G. A. C. CHRISTIANCY,  
Acting Assistant Attorney-General  
for the Post-Office Department.

In the month of April, 1903, when the inspectors were examining the letter-press copy books of the office, Christianity marked on the margin of the above letter "canceled," stating that it had been withheld and the following letter, under date of December 10, forwarded in its stead:

D. V. M.]

DECEMBER 10, 1902.

MESSRS. JOHN J. RYAN & Co.,  
St. Louis, Mo.

GENTLEMEN: Your attorney has requested that you be informed of the decision of this office in relation to your case which has been pending before it since the 11th day of November, 1902, and in accordance with said request I beg to inform you that the information desired, as indicated by certain written questions propounded to you at the time of the hearing and your answers thereto, was furnished by you to post-office inspectors on November 28 and 29, 1902. Said inspectors have filed their report with this Office, which report showed that you had furnished the information desired and were complying with the promises and agreements contained in your letter to this Office of November 11, 1902.

If you have since November 29, 1902, fully complied with your promises and agreements contained in your letter of the 11th ultimo and will still continue to do so, no further action will be taken by this Office and your case will be closed; but should this Office at any time in the future receive satisfactory information that you

are not complying with the agreements in said letter contained, then such action will be taken as the circumstances may demand and the Department deems proper.

Very respectfully,

(Signed)

G. A. C. CHRISTIANCY,  
*Acting Assistant Attorney-General  
for the Post-Office Department.*

The canceling of the record of the letter of the 8th, four months after it had been written, with the statement that the letter of December 10 was substituted in its place, has never been satisfactorily explained.

On December 7, however, a St. Louis post-office inspector made a special report, stating that the John J. Ryan bookmaking enterprise of St. Louis, Mo., investigated some days previously, was refusing to redeem certificates on demand, thus violating its agreement with the Assistant Attorney-General, and recommended—

that this special report be referred to the Assistant Attorney-General for such action as he desires to take relative to a fraud order as a result of this apparent violation of promise made to that Office by this company.

The report was referred to the Assistant Attorney-General's Office on the 9th of December, and in Miller's handwriting is indorsed "closed." It may be that upon receipt of this report Miller withheld the letter of December 8 and forwarded that of December 10 with changed phraseology. On December 10, Miller mailed Ryan's letter to Johns at Rockville, Ind., and that evening sent him, under an assumed name, the following telegram:

WASHINGTON, D. C. (night domestic), *December 10, 1902.*

J. M. JOHNS, *Attorney at Law, Rockville, Ind.:*

Letters reach you Friday morning. Never wired him. Go promptly.

JIM.

Johns then communicated with Ryan, met him by appointment at the Gibson House, Cincinnati, the night of December 16, delivered the letter to him, and received \$1,000 in cash and \$3,400 in checks, \$100 having been paid at their former meeting, November 28. Ryan & Co. proceeded to fleece the public until February, 1903, when they failed for \$1,300,000.

As a result of this transaction, Miller and Johns have been arrested and are under bond to appear before the United States court at Cincinnati. On May 25, 1903, when the facts in regard to Miller's connection with this case became known, the Postmaster-General summarily removed him from office. He had served less than a year, having been appointed on July 1, 1902.

In the fees requested and in the action taken by the Department the Ryan case is so similar to the Arnold case as to make it appear that Miller was an apt student of the methods by which business was transacted before the Office of the Assistant Attorney-General for the Post-Office Department.

Christiancy protested against the Arnold letter, remonstrated with Barrett, and finally refused to sign it when requested to do so by his superior officer; but in less than a week he signed both the Ryan letters without hesitation and upon his own motion.

#### THE REVIEW BILL.

Another interesting development in connection with the administration of Tyner and the practice of Barrett before his office is indicated by their interest in what is known as the "Review bill."

In July, 1902, Tyner was stricken with paralysis and became an invalid. It was clearly evident that he was near the end of his official career. In his report for the fiscal year he urged the passage of a bill giving the right of appeal to the district and circuit courts against the decision of the Postmaster-General in regard to fraud orders. Dudley & Michener, who had extensive business before the Assistant Attorney-General's Office, also urged the passage of such a bill. Barrett was heartily in favor of it, and the correspondence between him and some of his clients shows that they were exceedingly anxious that such a bill should pass.

A bill was prepared (Exhibit F-31), forwarded to Tyner, and by him to Christiancy, with instructions that he submit it to the Postmaster-General for his approval. Christiancy, however, interfered and offered such objections to the measure that the Postmaster-General withheld his approval. Nevertheless a bill was introduced into both the House and the Senate. The Postmaster-General addressed a communication to Congress, setting forth the objections to the passage of such a measure (Exhibit F-35) and no further consideration appears to have been given it by Congress.

A fraud order to be effective must be issued promptly. And a law giving a fraud the right to appeal from the decision of the Postmaster-General would practically nullify the law authorizing the Postmaster-General to deny the mails to fraudulent concerns.

#### RIFLING OF THE SAFE.

On April 21, 1903, while the investigation of the Assistant Attorney-General's office was in progress, Mrs. J. N. Tyner and her sister, Mrs. Barrett, mother of Harrison J. Barrett, by previous appointment met Mr. G. G. Hamner, an expert of the Mosler Safe Company, on the first floor of the Post-Office Department (Exhibit F-33). They then proceeded to the fifth floor, where Mrs. Barrett and Mr. Hamner remained in the corridor while Mrs. Tyner entered the office of the Assistant Attorney-General through the regular public entrance. She stated to Christiancy, then in charge, that she desired to go into General Tyner's room. She was admitted, and at her request was left alone, Christiancy closing the door through which she had entered. She then unlocked the corridor door and admitted Mrs. Barrett and Mr. Hamner, locking the door after their entrance. Hamner, at her request, then unlocked the safe, opened it, and after taking out all of its contents locked it again. Mrs. Barrett then let him out of the room through the corridor door. The two women were in the room almost an hour.

In the meantime Christiancy was informed that there was a man in the room with Mrs. Tyner. Shortly after that P. V. Keyser, a clerk in the office, informed him that the man had left the room through the corridor door. When Mrs. Tyner had remained there almost an hour, she called Andrew Hogan, the colored messenger, had him wrap up a package, and then, with Hogan, left the office in the same way she had entered.

Christiancy seems to have become somewhat concerned at Mrs. Tyner's remaining in the room so long. He finally went down the corridor to a room where the post-office inspectors were at work and advised them that Mrs. Tyner was in General Tyner's private room,

The facts were reported to the Postmaster-General, with the statement that there were a number of records in the room which the inspectors had not yet examined. The inspectors were instructed to ascertain at once the purpose of Mrs. Tyner's visit, but when they reached the Assistant Attorney-General's office she had gone. They were then directed by the Postmaster-General immediately to find Mrs. Tyner and ascertain what she had taken from the room. Mrs. Tyner indignantly refused to give up the package or divulge its contents, and declined to allow the inspectors to see Mr. Tyner, who, she said, was in a critical condition and could not be seen by anybody.

What was in the safe no one knows but the Tyners. Tyner alone had knowledge of the combination. Mrs. Tyner stated that she went to the office and secured the contents of the safe under the direction of her husband, which statement he confirmed. Some days later a package was returned to the office of the Postmaster-General which it was alleged contained all that was taken from the safe; but there is no evidence to this effect except the statements of the Tyners.

If Christiancy had reported to the Postmaster-General the fact that Mrs. Tyner desired to enter the room to secure some personal effects from the safe, there would have been no objection whatever to her doing so in an orderly way. If her purpose was honest, why should she enter the room, close the door, and forbid anyone to be with her except her sister and the safe expert? Christiancy has not satisfactorily explained why he permitted her to remain there for an hour without notifying the Postmaster-General or the inspectors.

As a result of this episode Tyner was summarily removed from the Office of Assistant Attorney-General and Christiancy was given an indefinite leave of absence. On July 14 Christiancy submitted his resignation, which was accepted by the Postmaster-General October 12.

#### CONCLUSION.

In the preparation of this report I have endeavored briefly to cover the principal features of the administration of Tyner, Barrett, and Christiancy while in control of the Office of the Assistant Attorney-General for the Post-Office Department.

George A. C. Christiancy first entered the service as a clerk in the Interstate Commerce Commission in 1889. He was appointed as an assistant attorney in the office of the assistant attorney-general for the Post-Office Department January 1, 1901. There is no evidence that he ever received any money, directly or indirectly, from any of these fraudulent concerns. How it was possible for him to serve in that office for over two years and not have knowledge of the reprehensible practices of Barrett, through the connivance or indulgence of Tyner, I can not understand. He apparently failed to realize the responsibilities that rested upon him or clearly to comprehend his duties. Why he should have protested against the Arnold letter, as he seems to have done, and then within a week sign, without any hesitation, a similar letter to Ryan, can be explained only upon the theory that he was induced to do so by Miller, in whom he had confidence.

He probably was intimidated by the imperious manner of Mrs. Tyner when she asked to be left in the room alone, but it should not have taken him an hour to recover sufficiently to walk across the hall and inform the Postmaster-General or the inspectors.

Tyner entered the postal service nearly forty years ago as a special agent; has since held the offices of Second Assistant and First Assistant, and was Postmaster-General from July 12, 1876, to March 12, 1877. Under the Harrison administration he was Assistant Attorney-General for the Post-Office Department, at which time Barrett was his secretary and stenographer.

Those who are charitably inclined excuse his official delinquencies on the ground of affection for his nephew and his failing mental faculties. But the deliberate manner in which he promoted Barrett's bond investment conspiracy and the free hand which he gave him in his dealings with fraudulent concerns, from the beginning of Barrett's connection with his office, forbid my taking this charitable view of his conduct.

For six years under his administration certain favored frauds and lotteries were given free use of the mails. Barrett's scheme to resign and practice before the Office, and Tyner's part in that scheme, as set forth in the body of this report, was the climax of official perfidy, more evil in its results and more demoralizing to the public conscience than outright embezzlement or open theft.

Tyner has been summarily removed, and I recommend that Harrison J. Barrett be barred from practice before the Post-Office Department and that Christiancy be separated from the service by resignation or otherwise.

Tyner and Barrett were indicted on October 5, by the grand jury for the District of Columbia, for conspiracy to defraud (Exhibits F-35, F-36, and F-37).

#### MONEY-ORDER SYSTEM.

On April 8, 1903, the Postmaster-General advertised that sealed proposals would be received until June 2, at 12 o'clock noon, for furnishing the engraved and printed matter required in the transaction of the postal money-order business for a period of four years commencing September 4, 1903. In response to this advertisement, proposals were submitted by four bidders for supplying money-order forms. Every bidder was required to give bond as a guaranty of his ability to fulfill such contract, if awarded him.

The bid of Paul Herman, which was the lowest, aggregated \$44,948 less than that of the Wynkoop Hallenbeck Crawford Company, the next lowest. Herman had formerly been employed by this company, which had held the contract for many years.

The Wynkoop Hallenbeck Crawford Company filed a protest against the contract being awarded to Herman, alleging that he was not a responsible bidder. Herman declared that he was able to fulfill the contract (Exhibit G); that he had given the \$5,000 guaranty as required, and that he would further enter into any bond that the Department might ask for the faithful performance of the contract.

At the request of James T. Metcalf, superintendent of the Money-Order System (Exhibit G-1), a post-office inspector inquired into the financial responsibility of Herman, and on June 10, 1903, reported (Exhibit G-2) that Herman had a credit of \$20,000 at the Mutual Bank in New York City; that he owned no plant, but had an option on rooms in a building well located in New York City; that he had contracted for some printing machinery, and that he was considered a man of good character and honest.



A short time after it was known that Herman was the lowest bidder, Superintendent Metcalf asked him to withdraw his bid, assuring him that if he did so he would endeavor to have him reinstated in his former position with the Wynkoop Hallenbeck Crawford Company. Herman inquired what would become of his \$5,000 guaranty, and Metcalf assured him that the Department would allow him to withdraw it (Exhibit G-3).

Metcalf also wrote to the Wynkoop Hallenbeck Crawford Company and asked them to meet Herman for a conference (Exhibit G-3), with a view to fixing up their differences. Herman, however, declined to comply with the request of Metcalf to withdraw his bid, and insisted that the contract be awarded him, he being the lowest bidder and having complied with all the requirements of the Department.

In the meantime it was alleged that Metcalf's son was employed by the Wynkoop Hallenbeck Crawford Company at a lucrative salary, and that Metcalf was endeavoring to induce Herman, the lowest bidder, to withdraw his bid for the purpose of giving that company the contract.

By order of the Postmaster-General the matter was investigated. In a statement made by Metcalf (Exhibit G-3) he admitted that he had asked Herman to withdraw his bid and promised, should he do so, to try and have him reinstated in his old position with the Wynkoop Hallenbeck Crawford Company, and that he had written Hallenbeck asking him to fix things up with Herman.

In explanation of his efforts to induce Herman to withdraw, Metcalf said that he knew it would give the contract to the Wynkoop Hallenbeck Crawford Company, where his son was employed, but that it was a responsible firm, and having had the contract for a long time he knew the work would be done well; and that he did not consider Herman a responsible bidder because he did not have a plant that would justify the Department in giving him a contract of this magnitude. Yet, at the same time, he admitted that Herman as a mechanic was entirely competent to perform and supervise the work necessary in the execution of the contract, and that he had written Hallenbeck, endeavoring to secure Herman's reinstatement, because he was anxious that Herman should have charge of the work as heretofore, knowing his competency and ability.

Metcalf's statements were strangely inconsistent. He endeavored to persuade Herman to withdraw his bid when he knew that such withdrawal would cost the Department about \$45,000. He admitted that Herman was thoroughly competent to do the work, and that he had requested Hallenbeck to reemploy him because of his special fitness to handle the money-order printing. He further stated that Herman had no plant; but at that time he had in his possession the report of an inspector showing that Herman was making necessary preparations to fulfill the contract. He also knew that Herman was then offering to give bond in any amount required by the Department that he would faithfully perform the work. The only reasonable conclusion to draw from Metcalf's attitude is that he wanted to favor the Wynkoop Hallenbeck Crawford Company, and was endeavoring to do so at the expense of the Department.

After receiving Metcalf's statement, the Postmaster-General summarily removed him from office. A copy of the letter of removal is submitted herewith, marked "Exhibit G-4."

Before closing this feature of this report it is proper to state that Herman, to whom the contract was awarded, is performing the work to the satisfaction of the Department (Exhibit G-9).

A continuance of the investigation was ordered, and the case assigned to Inspectors Letherman, Thomas, and Noile. Their several reports are submitted herewith, marked "Exhibits H, J, and K."

#### MAILING OF BOOKS.

The inspectors had not proceeded far with the investigation when they learned that young Metcalf was being paid a commission of 1½ cents per book for all money-order books that were shipped by the company to postmasters. This was paid him in addition to his regular salary.

Prior to September 4, 1899, the books of money-order forms were shipped by the manufacturer to the Department, and from there sent by registered mail to postmasters, as the necessities of the service required. The work of wrapping and addressing these books was done by clerks in the money-order division. There is no evidence that this system of mailing books was not entirely satisfactory. Metcalf, however, conceived the idea of having these books shipped direct from the manufacturer to the postmaster. His first movement toward a change of system was about June 21, 1899. Paul Herman (Exhibit H-7) says:

Four years ago I was here in Washington as the representative of the Wynkoop Hallenbeck Crawford Company, and after the bids had been opened it was found that this company was the lowest bidder. Mr. J. T. Metcalf invited me to take a ride with him over the city. During our conversation he mentioned that he would like to make some other kind of arrangement different from what had been put in the specifications regarding the shipping of money-order books. He explained that he intended originally to have his son, Norman R. Metcalf, appointed as the agent to supervise the shipping of these books, but he could not do that on account of the civil service law. \* \* \* He preferred, he said, to place this matter in the hands of the contractors. \* \* \* "You tell Mr. Hallenbeck of this proposition and make him write a letter to me, expressing his willingness to enter into such an arrangement," or words to that effect, and that the price could be arranged after such a letter had been received from Mr. Hallenbeck.

Metcalf denies Herman's statement so far as it relates to his efforts to secure his son's appointment as agent to supervise these shipments. But young Metcalf (Exhibit K-9) indicates that his father had in mind such an appointment, and, in a measure, confirms Herman's statement.

It further appears that as a result of this conversation, on July 7, 1899, C. G. Crawford, vice-president of the company, wrote Metcalf (Exhibit K-8) submitting a proposition to mail the books "as requested" for 4 cents each. After further correspondence, 3½ cents was finally agreed upon, with the proviso that if this amount proved too small the Department would in the future take up the matter for adjustment. Following out this understanding, H. C. Hallenbeck, president of the company, on March 6, 1900, wrote Metcalf, stating that after six months' experience he felt 3½ cents was far too low a price for this work, and asked, on account of the great increase in the cost of labor, material, etc., that the price be increased to 6½ cents. And on July 25, 1900, he again wrote urging the necessity of an advance in price for mailing the books. In reply to this letter Metcalf, on August 7, 1900, wrote Hallenbeck, stating:

The Department has in various ways so modified the terms of the contract in each case in your favor that practically the compensation for wrapping and mailing the

books has been considerably increased. In all of the numerous changes made in handling these forms no additional labor nor expense has been entailed upon your firm, but in each case the advantage is with you.

But he further added that since the Department had agreed to readjust the compensation for mailing, he had recommended that the price beginning with August, 1900, be fixed at  $5\frac{1}{4}$  cents each, and inclosed a new contract for that amount. Crawford, for the company, acknowledged this letter with thanks and signed the contract as directed.

On August 21, 1900, Metcalf wrote Hallenbeck advising him that after a conference with the Postmaster-General  $5\frac{1}{4}$  cents was considered more than should be paid, and asked him to give in detail the items of expense that made up the cost of shipping the books. To this Hallenbeck replied that N. R. Metcalf and Paul Herman were both out of the city, and that he would be unable to give him the information until their return. On September 15, 1900, Hallenbeck answered, submitting a detailed statement as to the cost of packing and shipping the books.

This statement was prepared by Norman R. Metcalf, and upon such statement the price paid by the Department was increased from  $3\frac{1}{4}$  to  $4\frac{1}{4}$  cents to date from August 11, 1900. In this statement of expenses, however, the commission that was paid young Metcalf does not appear.

#### USE OF LARGE BOOKS DISCONTINUED.

The contract for money-order forms that took effect September 4, 1899, called for five different sizes of books, containing, respectively, 500, 300, 200, 100, and 50 blank money-orders each. For each book shipped the contractors were to receive  $3\frac{1}{4}$  cents.

On September 26, 1899, Superintendent Metcalf discontinued the use of the books containing 300 forms, and on October 26 he discontinued the use of the books containing 500 forms. Thus within four months after the company had received the contract for mailing the books all the large sizes were discarded, and from that time books of 200 forms were the largest used.

The discontinuance of the use of the large books greatly increased the number of books to be shipped, which resulted in a corresponding increase of cost to the Department and commissions to young Metcalf. The following table shows the number of books shipped and the amounts paid Norman R. Metcalf for the year 1900:

Month of shipment.	Number of books shipped.	Amount.
1900.		
January.....	28,364	\$330.91
February.....	20,391	237.89
March.....	24,586	286.83
April.....	18,849	219.96
May.....	16,993	198.25
June.....	14,613	170.48
July.....	12,566	146.69
August.....	11,042	128.82
September.....	15,075	175.87
October.....	18,110	211.28
November.....	16,923	116.66
December.....	14,852	254.04
Total.....	212,364	2,477.68

The sum paid was just 10 cents over 1½ cents per book for the books shipped. These payments continued in the same manner up to May 12, 1903.

At the beginning of this contract young Metcalf's wages were \$15 per week, equivalent to \$65 per month or \$780 per annum. His duties were in no way increased by the company securing this contract for mailing money-order books. During the period that this contract was in force his wages were advanced from time to time until in May, 1903, he was receiving \$30 per week (Exhibit K-9), showing that the bonus paid him out of the money received by the company for mailing the books was in no way computed as part of his legitimate salary or wages. The books of the company show that from December, 1899, to May, 1903, he was paid by check, independent of his salary, \$9,547.17. Both the Metcalfs state that the father had no knowledge that this amount was being paid the son, but I am not inclined to credit their statements.

The only reason that Metcalf gives for changing the system of shipping the books was the inconvenience of handling them in the Department on account of insufficient room after moving into the new building. Metcalf also speaks in high terms of the efficiency of this firm. This, however, does not seem to be borne out by the records. The following letters were written by Metcalf to the company (Exhibit H-4):

APRIL 14, 1902.

Of late nearly all our work is delayed beyond what I think is reasonable, and it is so embarrassing and annoying that I am sure you will take some means to give us better service.

AUGUST 19, 1902.

We are being flooded with telegrams and our business disorganized because of lack of forms. I find, on investigation, that you are not shipping over an average of about 100 books per day, when we ought to have at least five times that number.

AUGUST 27, 1902.

While you were behind in shipping thirty-eight days when I wrote you last week, you are to-day in arrears forty-four days, and the condition of affairs is worse than at any time within my knowledge.

FEBRUARY 3, 1903.

I am compelled to again inform you that we are receiving some days as many as 6 to 10 telegrams and numerous letters to the effect that postmasters are without supplies of forms.

There are other letters of a similar character.

#### INFERIOR PAPER USED.

In November, 1899, the Jersey City Printing Company wrote the Postmaster-General complaining that the paper used by the Wynkoop Hallenbeck Crawford Company in printing money-order forms was inferior to that required by the specifications, and to permit the use of such paper was unfair to the other bidders. This letter was referred to Metcalf for an explanation, and in reply (Exhibit J) he defended the company vigorously, stating that the paper had been tested as to its tensile strength and that he believed it to be fully up to the contract sample. The specifications for the contract called for blue paper "to test not less than 45 points, weight of 500 sheets equivalent to 16-pound folio, and white paper of weight equivalent to 20-pound folio to test 46 points" tensile strength. Nevertheless, Metcalf was com-

pelled frequently to write the company as to the inferior paper used (Exhibit J-6). On January 22, 1901, he wrote:

Test has been made of a sheet of domestic money-order paper recently transmitted by you to this office, and the tensile strength of this paper is found to be an average less than 31 points. \* \* \* Recent observations show that the paper is not in quality according to the contract sample, and complaints to a like effect are being made by postmasters who use the paper.

Other similar letters were written.

Herman (Exhibit H-7) states that the tensile strength of the paper furnished by the Wynkoop Hallenbeck Crawford Company varied, but was: Blue, about 33 points instead of 45; and white, about 23 instead of 46; and that the weight of the white paper was 17 pounds and not 20, as called for by the specifications.

Herman's statement and Metcalf's letters confirm the allegations of the Jersey City Printing Company as to the inferior quality of the paper used. His statement is further corroborated by J. Horace McFarland in a letter to Metcalf (Exhibit J-8), wherein he asks that Metcalf write certain contractors insisting on "a closer adherence to the specifications with respect to paper."

#### PRINTING MONEY-ORDER FORMS.

For the 1899-1903 contract for money-order forms there were two bidders, the Wynkoop Hallenbeck Crawford Company, of New York, and the Dunlap Printing Company, of Philadelphia.

There are two kinds of money-orders, domestic and international. Bids were asked on two styles of printing for domestic money orders, lithographic and typographic, and one style on international, typographic. The specifications required that the schedule for money-order forms should be considered as a whole, though there is no reason why the domestic and international forms should not have been considered separately, they being different as to form.

The following table shows the bids of the two companies on the estimates submitted by Superintendent Metcalf:

#### *Domestic money-order forms.*

Size of books.	Estimated number books, contract term.	Bid of W. H. C. Co.				Bid of Dunlap Print. Co.	
		Cost lithographic.		Cost typographic.		Typographic.	Cost.
Five hundred .....	175,000	\$0.49	\$85,750	\$0.48	\$84,000	\$0.52	\$91,000
Three hundred .....	65,000	.39	25,350	.39	25,350	.33	21,450
Two hundred .....	70,000	.27	18,900	.26	18,200	.25	17,500
One hundred .....	90,000	.15	13,500	.13	11,700	.15	13,500
Fifty .....	75,000	.10	7,500	.07	5,250	.11	8,250
Total .....			151,000		144,500		151,700

#### *International money-order forms.*

Size of books.	Estimated number books.	Bid of W. H. C. Co.		Bid of Dunlap Print. Co.	
		Per book.	Cost.	Per book.	Cost.
Two hundred .....	10,000	\$0.45	\$4,500	\$0.40	\$4,000
One hundred .....	5,000	.39	1,950	.24	1,200
Fifty .....	4,000	.28	1,120	.12	480
Twenty-five .....	7,000	.15	1,050	.09	630
Total .....			8,620		6,310

*Reissued orders.*

Size of books.	Estimated number books.	Bid of W. H. C. Co.		Bid of Dunlap Print Co.	
		Per book.	Cost.	Per book.	Cost.
Four hundred.....	1,000	\$0.60	\$600	\$0.79	\$790

The total cost of printing domestic, international, and reissued orders under various bids, therefore, may be summarized as follows:

## Wynkoop Hallenbeck Crawford Company:

Domestic orders, lithographed.....	\$151,000
International orders, typographed.....	8,620
Reissued orders, typographed.....	600

Total.....	160,220
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## Wynkoop Hallenbeck Crawford Company:

Domestic orders, typographed.....	144,500
International orders, typographed.....	8,620
Reissued orders, typographed.....	600

Total.....	153,720
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## Dunlap Printing Company:

Domestic orders, typographed.....	151,700
International orders, typographed.....	6,310
Reissued orders, typographed.....	790

Total.....	158,800
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It will be observed from examining the foregoing table that by the lithographic process the Wynkoop Hallenbeck Crawford Company's bid on the 500-form books was 3 cents per book lower than the Dunlap Printing Company's bid, and on the 200-form books 2 cents higher. But, considering the estimated number of books to be used, the aggregate cost of those called for by the entire contract, the Wynkoop Hallenbeck Crawford Company's bid by the typographic process was \$5,080 lower than the Dunlap Printing Company's, but by the lithographic process, \$1,420 higher.

Upon the theory that it was desirable to have the domestic money orders lithographed, the contract was given to the Wynkoop Hallenbeck Crawford Company at the higher bid. In this connection, however, it is interesting to note the actual number of the different sized books used by the Department as compared with Metcalf's estimates, upon which bids were asked.

Instead of using 175,000 of the 500-form books, upon which the bid of the Wynkoop Hallenbeck Crawford Company was 3 cents per book lower than the Dunlap Printing Company, only 3,889 were used, while on the 200-form books, upon which the bid of the Wynkoop Hallenbeck Crawford Company was 2 cents higher than that of the Dunlap Printing Company, the number of books used was not 70,000, as estimated by Metcalf, but 802,779. The following table shows the total number and sizes of books purchased during the period of the contract, excluding 14,529 books of 400 pages, at 46 cents each, for which bids were not solicited and on which proper comparison can not be made:

*Domestic money-order forms.*

Size of books.	Number of books used during contract term.	Bid of W. H. C. Co.		Bid of Dunlap Printing Co.	
		Lithograph.	Cost.	Typograph.	Cost.
Five hundred .....	3,889	\$0.49	\$1,905.61	\$0.52	\$2,022.28
Three hundred .....	1,031	.39	402.09	.33	340.23
Two hundred .....	802,779	.27	216,750.33	.25	200,694.75
One hundred .....	35,047	.15	5,257.05	.15	5,257.05
Fifty .....	8,712	.10	871.20	.11	958.32
Total .....			225,186.28		209,272.63

*International money-order forms.*

Size of books.	Number of books used during contract term.	Bid of W. H. C. Co.		Bid of Dunlap Printing Co.	
		Per book.	Cost.	Per book.	Cost.
Two hundred .....	26,767	\$0.45	\$12,045.15	\$0.40	\$10,706.80
One hundred .....	3,430	.39	1,337.70	.24	823.20
Fifty .....	5,861	.28	1,641.08	.12	703.32
Twenty-five .....	3,266	.15	489.90	.09	293.94
Total .....			15,513.83		12,527.26

*Reissued orders.*

Four hundred .....	1,313	\$0.60	\$787.80	\$0.79	\$1,037.27
Grand total .....			241,487.91		222,837.16

It will be observed from the above table that the actual cost of the money-order forms furnished by the Wynkoop Hallenbeck Crawford Company under their bid was \$241,487.91, while if the contract had been given to the Dunlap Printing Company the cost would have been \$222,837.16, a saving of \$18,650.75.

There were 14,529 400-form books bought that were not called for in the specifications. For these the company was paid 46 cents each, while the 500-form book could be had for 49 cents. Why this size should have been ordered at a higher proportionate price, instead of the 500-form book, does not appear.

An analysis of the bids shows that while on the face of the estimate the Wynkoop Hallenbeck Crawford Company's bid was only \$1,420 higher than that of the Dunlap Printing Company, yet upon the number of books actually bought it was \$18,650.75 higher. The difference, \$17,230.75, represents a net gain to the Wynkoop Hallenbeck Crawford Company as a result of Metcalf's discontinuing the use of the large-sized books. It further appears that this discarding of the large books served a double purpose—it increased the "graft" of young Metcalf and gave the company a greatly increased profit.

As heretofore stated, the Wynkoop Hallenbeck Crawford Company was given the contract because it was asserted that the domestic money orders should be lithographed; but in fact only a small part of them were printed by the lithographic process.

A statement of the lithographer employed by the Wynkoop Hallenbeck Crawford Company (Exhibit J-9) shows that from September

28, 1900, to July 3, 1903, only enough lithographic tints were printed for the money-order business by this company to make 65,256 books of 200 forms each, while during this period 611,476 books of 200 forms were furnished, showing that but 10 per cent of the books furnished were lithographed. The remainder, 546,220, were therefore printed by the typographic or cheaper process, and should have been billed 1 cent per book lower than the scheduled lithographic price. The Department, however, paid for lithographic work. This company, therefore, was paid 1 cent per book on 546,220 books, or \$5,462.20 more than it was entitled to under the contract.

Complaint was made to the Department that money-order forms were being electrotyped, not lithographed, as required by the contract. In reply to this complaint Metcalf stated (Exhibit J):

While I have no knowledge other than this statement that the contractor is making use of plates, presumably electrotypes, rather than transfers to stone, the fact remains that it is very difficult for even an expert to determine the difference between work executed by the two processes. \* \* \* Hence, it would seem that this complaint, if it is based upon facts, merely alleges that the contractor is employing a process which to him may be cheaper, but which does not produce work inferior to the requirements of the public service, nor in any respect different from the specifications as far as appearance and quality of work is concerned.

If this statement is true, why, then, was not the bid of the Wynkoop Hallenbeck Crawford Company for printing forms by the typographic process accepted, instead of their bid for lithographic work? Thousands of dollars would thereby have been saved to the Department. But instead, they were paid lithographic prices for typographic work, in violation of the specific terms of their contract, and the Government thereby defrauded out of \$5,462.20. Add this to the \$17,230.75, and we have \$22,692.95, which was paid to this company over what it was entitled to upon the bids and specifications, resulting in a corresponding loss to the Department.

The specifications required that the money-order forms should be printed with a binding stub 1 inch long, with perforations between the form and binding stub, between the advice and binding stub, and between the advice and receipt, so that the orders and advices could be easily torn out when written. The books containing 500 and 300 forms were to be sewed with binders' thread. For the smaller books wire-stitch binding was prescribed.

Metcalf not only discontinued the use of the large-sized books, but he permitted the company to change the form of binding so as to save the stub and the stitching, the book being fastened at the end with glue in tablet form. Hallenbeck (Exhibit J-10), in a letter to Metcalf, stated that by discarding the stub he would be able to get another row of orders on one sheet and save a great deal of presswork.

By relieving this company of the expense of perforating the orders and of binding the books with thread and wire, as required in the contract, Metcalf saved it thousands of dollars on the paper and labor necessary in the execution of the contract.

#### COMBINATION OF PRINTERS.

The principal bidders for supplies for the money-order service are the Wynkoop Hallenbeck Crawford Company; the Metropolitan Printing Company, both of New York; the Dunlap Printing Company, of Philadelphia, and the J. Horace McFarland Company, of Harrisburg, Pa.



It appears from the correspondence between J. T. Metcalf and J. Horace McFarland that there was a combination of these four companies for the purpose of raising the price of supplies furnished.

It is strange that the superintendent of the Money-Order System should have been consulted by these contractors as to their scheme to combine and raise the price of supplies which they expected to furnish the Department. On March 23, 1903, McFarland wrote Metcalf (Exhibit J-8):

I had on Saturday a very satisfactory and somewhat surprising conference with the three other bidders for the last money-order contract, it having appeared that the Metropolitan people were going in again, and going in strongly. Indeed, they were intending to pursue the same reckless and absurd tactics which made their work so unsatisfactory, and you can judge from their price on the three items you are reporting upon in yours of March 20 just how deep they have been willing to go. \* \* \* The whole matter has been very satisfactorily discussed. \* \* \* I will gladly come to Washington to consult with you about it, if you so desire, after which there will be another meeting of those interested in New York. \* \* \* I am empowered to ask you, on behalf of the four bidders on the present contract, permission to receive proofs of the specifications as soon as they are available, and in advance of their issue in the general way, if you believe this compatible with the public service. Our action with respect to the Metropolitan people will result, I am sure, in a very great improvement of performance by them, but under conditions existing up until Saturday at 1.30 p. m. I felt that it was important for public service that the bids they were about to make should be rejected, or very sharply scrutinized.

McFarland seems to have been very greatly concerned about the public service. On April 6 he again wrote Metcalf (Exhibit J-8):

You are aware that under your wise permission there is now going on an attempt at an arrangement between those who have been doing the money-order work, which will prevent the ruinous prices of the past. \* \* \* If it would be practicable for you to send a letter to each of the other three contractors who are involved so far, stating that you propose to insist upon a better standard of work, as well as a closer adherence to the specifications with respect to paper, you would give me a good weapon to work with in the conference with these gentlemen.

In answer to these and other letters, Metcalf, on April 10, wrote McFarland (Exhibit J-8):

I hope that you will not feel that because of failure to receive answers to several of your letters that matters named by you have not been given attention. Such is not the case. \* \* \* As matters seem to be progressing satisfactorily, no formal reply appears to be necessary.

On April 11, McFarland again wrote Metcalf (Exhibit J-8):

The Metropolitan people had but one set of the proofs at hand on Thursday. For very many reasons I feel that I am not misusing the English language in saying that this outfit is simply extraordinary. Nothing but the roughest kind of talk has prevented them from plunging in exactly the same way that was so disastrous previously.

It will be observed from the foregoing letters and other correspondence in the same exhibit, that the "Metropolitan people" were inclined to be rather independent, but finally were brought into the combination.

Advance copies of the specifications were forwarded as requested by McFarland. With this and other advance information secured from the superintendent, these companies were able practically to control the bids on almost all of the blanks, especially those used in large quantities. The result of the combination was an advance in prices as desired. To illustrate:

	Old bid, 1899-1903.	New bid, 1903-1907.
<b>The J. Horace McFarland Company—</b>		
Daily statement of stations .....	\$1,225	\$1,750
Continuation sheets for domestic statements .....	177	324
Continuation sheets for international statements .....	2,805	4,412
German card orders .....	473	1,037
Receipts for domestic forms .....	224	510
Press copy books .....	4,842	6,747
<b>Metropolitan Printing Company:</b>		
Notices to payee of money order .....	576	1,189
Three items of belt checks .....	523	1,312
Items from statement schedule .....	12,385	18,949
<b>Dunlap Printing Company:</b>		
Ordinary money-order applications .....	20,500	26,650
International money-order applications .....	2,139	2,883
Remittance letters .....	4,182	5,476
Letters of inquiry and second advice .....	441	840
Memorandums of remittances .....	833	1,500
Registers, cash books, and record books .....	18,609	24,856
<b>Wynkoop Hallenbeck Crawford Company:</b>		
Exchange lists under item 33 .....	142	429
International letter forms under item 59 .....	70	139
Duplicate advices of international orders .....	95	155
Advertising placards .....	260	347
Card index duplicate .....	280	440
Special notices of repayment .....	388	592
Registers furnished postmasters .....	7,448	9,611

The following table sets forth the advance in cost of the items which would have been awarded these companies had Metcalf's recommendations been followed (Exhibit G-5):

Bidders.	Number of items.	Cost under old contract.	Same quan- tities, new bid.	Net increase.	Per cent.
J. H. McFarland Company .....	46	\$13,586.82	\$19,661.71	\$6,074.89	44.7
Metropolitan Printing Company .....	76	18,746.87	27,773.96	9,027.09	48.1
Dunlap Printing Company .....	86	85,983.80	105,086.76	19,102.96	22.2
Wynkoop Hallenbeck Crawford Company .....	33	10,443.69	13,810.14	3,366.45	32.2
<b>Total .....</b>	<b>241</b>	<b>128,761.18</b>	<b>166,332.57</b>	<b>37,571.39</b>	<b>29.1</b>

The preceding estimates are based upon the amount used during the period of the last contract. However, there would have been a great many more blanks used during the ensuing contract, because of the large increase in the money-order business of the country, and the profits to these companies would have been correspondingly increased.

It clearly appears that Metcalf was devoted to the interests of this combination. There were two other bidders, the Wilkens Printing Company, and the Guggenheimer Printing Company, that were lower on 37 items than any of the companies in the combination. On the aggregate of these items the two companies were \$2,189.74 cheaper than the next lowest bidders. Metcalf, in forwarding the report of the committee on awards (Exhibit G-5), recommended, because of the small amount involved, that the bids from the Wilkens Printing Company and the Guggenheimer Company be set aside and the awards given to the present contractors, stating:

If set aside, the awards would be about evenly divided between the Public Printer and the four remaining present reliable contractors. \* \* \* I think that the interests of the public service will be the better protected if the two bids referred to be dropped.

When knowledge of this combination was brought to the attention of the Postmaster-General, he refused to approve the awards made to these four companies, and ordered a new letting. September 5 was

fixed as the date for opening new proposals. McFarland complained most bitterly of the Postmaster-General's action and declined to bid. The Metropolitan Company resubmitted its old proposals, while the Dunlap Company and the Wynkoop Hallenbeck Crawford Company submitted new bids. The result was that the aggregate amount of the bids on the same items, in like quantities as referred to in the foregoing table, was \$131,916.12, a net decrease of \$34,416.45. But this does not represent the entire saving to the Department, as the figures are based upon the amount used during the last four years. Upon the amounts estimated to be used during the next four years the figures are as follows:

Cost at rates under 1899-1903 contract .....	\$190, 307. 81
Cost at rates under rejected bids .....	232, 628. 63
Cost at rates under new bids, September 5 .....	181, 504. 47
Total decrease from rates of 1899-1903 contract .....	8, 803. 34
Total decrease from rates of rejected bids .....	51, 124. 16

It will be observed, therefore, that by rejecting the bids of this combination which Metcalf had fostered, the Department saved \$51,124.16.

The new proposal of the Dunlap Printing Company on the schedule covering money-order applications was \$26,568.50 lower than its rejected bid; and that the Wynkoop Hallenbeck Crawford Company, \$45,248.50 lower than its former bid. These figures cover all the items where comparisons are practicable, but not all the items called for under the advertisement.

#### EXAMINATION OF SUPPLIES BEFORE SHIPMENT.

The specifications provide that work shall be carefully inspected before shipment, but no examination seems to have been made other than that made by the company. The necessity for departmental scrutiny is indicated by correspondence with the postmaster at St. Louis, submitted herewith, marked "Exhibit J-12."

From this it appears that the Dunlap Printing Company in filling requisitions for the money-order applications had been sending them out in blocks alleged to contain 250 blanks each. An inspection of a number of these packages by the St. Louis postmaster resulted in finding the number ranging as follows: 211, 223, 212, 216, 233, 230, 199, 227, 225, 224, 227, an average of 221 forms to the block, or 12 per cent short of the number for which bill was rendered to the Department. It was also discovered after Metcalf's dismissal that shipments to the Department were also short, the blocks billed at 250 each averaging only 225.

Under the present system of having the contractor ship direct without the inspection of representatives of the Department it is possible for short shipments to be made, as the postmasters throughout the country, as a rule, would rarely count and verify supplies of this kind when furnished, but accept the count as correct.

Paper and printing of an inferior quality also can be furnished because the postmasters know nothing of the requirements of the Department, and if they did few of them would have the technical knowledge necessary to determine whether such shipments complied with the specifications.

**\$500 IMPROPERLY PAID.**

It appears that in April, 1900, a bill for \$500 was rendered by the American Accounting Company, of Chicago, Ill., for infringement in the adoption of the current duplicate money-order and advice form. If this company had a legitimate claim for infringement upon its form, such claim is amply covered by the following article of the contract of 1899-1903 (Exhibit J-11), which provides that the contractor shall—keep harmless and fully indemnify the United States and any of its officers or agents from and for all damages or claims for damages, costs, or expenses in law or equity that may at any time arise or be set up for any infringement of the patent right or copyright of any person or persons in consequence of the use by the Post-Office Department, or by any of its officers or agents, of any blanks, blank books, paper, printed or lithographed matter of any kind described in the specifications attached hereto and furnished by the contractor under this contract.

Why the Wynkoop Hallenbeck Crawford Company should not have been required to fulfill that part of the provisions of its contract does not appear. Upon Metcalf's approval, the Auditor for the Post-Office Department authorized the payment of the claim, and it was not charged to the account of the company as the contract authorized.

**CONCLUSION.**

Metcalf entered the postal service on February 4, 1882. He became Superintendent of the Money Order System on September 16, 1897. The securing of employment for his son from a contractor that furnished money-order supplies was highly improper.

The scheme of having the Wynkoop Hallenbeck Crawford Company mail the money-order forms direct from their factory originated with Metcalf, as it was suggested to a representative of the company by him. He recommended that the price first be fixed at 3½ cents and afterwards that it be raised to 5½ cents.

From the date of this contract for mailing the books, his son received 1½ cents on every book shipped, which amounted to more than three times his regular wages. The payment of this money to his son was doubtless the motive that induced Metcalf to change the system of mailing.

The discontinuing the use of the large-size books, upon which the Wynkoop Hallenbeck Crawford Company's bid was the lowest, within sixty days after the contract became effective, and confining orders almost wholly to the 200-form size upon which their bid was higher than that of the competing firm, was without justification and apparently for no other purpose than to increase the commission to his son and the profits to the company at the expense of the Department.

The payment of \$500 to the American Accounting Company seems to have been a voluntary gratuity to the Wynkoop Hallenbeck Crawford Company and in direct violation of the terms of the contract.

His collusion with the four principal bidders in their combination to advance prices would, if carried out, have resulted in an increased cost of money-order supplies for the contract period of over \$50,000. This transaction alone would have justified his removal from office.

On October 5, 1903, J. T. Metcalf, N. R. Metcalf, and H. C. Hallenbeck were indicted by the Federal grand jury of the District of Columbia for conspiracy to defraud the Government (Exhibits G-7 and G-8).

## DIVISION OF FREE-DELIVERY.

Many charges were made against A. W. Machen, general superintendent of the Division of Free-Delivery; and while of a serious character, they were vague and indefinite as to facts. It was therefore determined to make a systematic investigation of the division, beginning with Machen's appointment as superintendent. The supervision of this work was assigned to Inspector M. C. Fosnes, who has been assisted by from 10 to 20 inspectors, as the necessity of the case required. Mr. Fosnes's report is submitted herewith (Exhibit L).

Before considering in detail Machen's administration of the Division of Free-Delivery, it may be well to refer briefly to his record prior to his appointment. He first entered the postal service as a clerk in the registry division of the Toledo, Ohio, post-office in 1886; in March, 1887, he was appointed assistant postmaster. George E. Lorenz, whose name will be frequently mentioned in this report, was at that time postmaster.

On July 31, 1890, Lorenz and Machen retired from the postal service as a result of a political change in the national administration. Machen then engaged in private business; but was unsuccessful, having lost what money he may have invested. In 1893, without income or employment, he came to Washington in the hope of securing some kind of a Federal position under President Cleveland's second administration.

On May 6, 1893, he was appointed as assistant superintendent of Free-Delivery, and on September 16 following he was made superintendent. At that time he was a bankrupt financially, with numerous judgments recorded against him. He was not only a bankrupt, but his reputation for business integrity was bad. When he left Toledo he borrowed from friends large sums of money, for a man of his financial station, upon the representation that he needed means to move his family to Washington, promising to repay these loans out of the first salary that he received. None of them was paid, except a few where the lenders became so importunate that Machen thought it wise to satisfy them. He seems to have been a persistent borrower, even after he came to Washington. Various fraudulent representations were made to secure loans from friends, and upon one occasion he even resorted to forgery (Exhibit L-1). Financial obligations rested lightly upon him. He never paid a debt except from motives of policy. Moral responsibility seemed to have no weight with him.

While assistant postmaster at Toledo (Exhibit L-1) some money lenders were making loans to clerks in the office at exorbitant rates of interest. It appears that Machen, who had charge of payment of salaries, arranged with these usurers to insure settlement of these loans for a percentage of their profits, and at the end of the month would keep out of the clerks' pay the amount due and settle with the brokers, retaining his share of the profits.

James M. Brown was postmaster at Toledo when Machen came to Washington. Being anxious to hold the office until the expiration of his commission, he suggested to Machen that if he could help him and the "rest of the boys," meaning his subordinates, to hold their places until the four-year term expired it would be appreciated. Shortly afterwards Brown received a request from Machen to pay a note for him at a Toledo bank, amounting to \$400. Brown called the clerks

together, told them of Machen's request, and suggested that it probably would be wise to comply. They apportioned the amount according to the salary of each and took up the note. No part of this money was ever repaid except \$75, which was forced out of Machen by J. C. Rike, one of the clerks. After Rike had left the post-office he importuned Machen so persistently, both in person and through his Member of Congress, that Machen finally sent \$75 to Brown, which was divided among the contributors.

Exhibit L-1 sets forth in detail the story of numerous personal friends from whom Machen borrowed money in amounts running from \$50 to \$500 each, and with few exceptions none of these loans was paid. Numerous and urgent necessities were alleged in his appeals to friends for loans and all kinds of promises made as to prompt payment when due; but when the debt was once incurred he apparently dismissed all further thought of it from his mind. When an obligation was paid it was usually brought about by the indignant lender bringing to bear some political pressure which Machen did not think it wise to resist.

As has been said, Machen was appointed in the Free-Delivery Service May 6, 1893. He was dismissed May 27 last. It will be observed, therefore, that his service in the Department covered a period of ten years. The story of his official record is an interesting study, and probably has no parallel in the history of the postal service.

During the first years of Machen's service in the Department he frequently asserted to friends that he had oil stocks and other property in Ohio that were yielding him a large income. But the most careful inquiry by the inspectors has demonstrated that he had no property of any kind when he came to Washington.

He is a man of resources and of strong personality. When he became the superintendent of the Division of Free-Delivery he at once assumed the position of an independent bureau officer. He had not been in office thirty days before he began to write members of Congress and Senators inviting them to call at his office to discuss various kinds of departmental business. For a period of ten years, with unusual skill, he ingratiated himself into the confidence and good graces of influential public men.

An examination of his correspondence during the Cleveland Administration shows that he posed at that time as a strong and aggressive Democrat, frequently injecting political remarks into letters of an official character. But during the closing days of that Administration he very skillfully shifted, and after the 4th of March, 1897, became greatly interested in the welfare of the McKinley Administration. He acquired new associates, and was quite successful in establishing intimate relations with men who were influential at the White House.

No story can give so clear an idea of Machen's methods of administration as a simple statement of facts as shown by the records and collected from the sworn testimony of men who had business relations with the branch of the service under his management.

#### CARRIERS' STRAPS.

As before stated, Machen was appointed superintendent of Free-Delivery on September 16, 1893. On September 20, four days later, he wrote the First Assistant Postmaster-General, recommending that

leather straps be substituted for twine used by letter-carriers in tying up mail arranged for delivery upon their routes. Machen stated that the straps could be had for 10 cents each (Exhibit L-3); that their use would be much more economical than twine, and he proposed that a supply of them be purchased. Following out this recommendation the First Assistant Postmaster-General, on November 26, ordered 3,240 straps from George D. Lamb, of New Haven, Conn. Three sizes were included in this order, the price being  $12\frac{1}{2}$ , 15, and  $17\frac{1}{2}$  cents per strap, respectively. And on December 6, just 10 days later, an additional order for 15,000 straps, signed by Machen himself, was given. And this has continued for a period of nearly 10 years, until about 1,000,000 straps have been furnished at an aggregate cost of \$137,217.39. No competitive bids for straps were ever requested, and no other strap than that made by Lamb has been used.

The use of straps was pushed with great vigor. They were sent out to postmasters throughout the country, without requisition or notice, and in far greater quantities than were needed. At one time when Machen was absent in the West, the acting superintendent of Free-Delivery, evidently not understanding his purpose, wrote him:

Postmasters at small offices, commencing with A, are flooding us with inquiries about the straps they are receiving and of which they have received no information.

In the inspection blank for post-offices, at Machen's request, the question was asked: "Are carriers using straps furnished them for routing their mail?"

In his letter of September 20, 1893, recommending the use of straps, he estimated that \$1,750 would cover the total annual expenditure for that purpose; but the record shows that from their adoption to the date of Machen's removal they have cost the Department over \$14,000 a year.

The above refers to "tie straps," or those used by the carriers in fastening together mail for delivery on their routes.

#### SHOULDER STRAPS.

In the free-delivery service there is also used a strap which goes over the shoulder of the carrier and is attached to his satchel. This is a part of the satchel and will be treated in detail later under the subject of carriers' satchels. But, beginning with August, 1894, these straps were bought from George D. Lamb. And during the succeeding years Machen ordered 90,303, at a cost of  $39\frac{1}{2}$  cents each, making a total expenditure for this purpose of \$35,669.71. The entire number of the two varieties of straps used under Machen's administration, as nearly as can be ascertained by the departmental records, was 1,052,211, costing \$172,887.10. The accounts of the manufacturer, however, show a consumption of 20,000 more, at a cost of \$3,338.88, making a total expenditure for straps during the nine and one-half years of \$176,225.98. The departmental records have not been perfectly kept, and it is believed that the manufacturer's record is the more nearly accurate.

The method of payment for these articles varied. For a number of years the tie straps were paid for direct by postmasters to whom they were sent, and credit was taken for such disbursements in their quarterly accounts. During the last four years payments have been made by Departmental warrants. Tie straps, by Machen's order, have been

sent by the manufacturer, in large quantities, direct to postmasters; and also many thousands of them in bulk to the Department. That Machen was determined to use this particular strap regardless of its cost or desirability to postmasters or carriers, is shown by the following correspondence.

July 24, 1897, the postmaster at Worcester, Mass., wrote (Exhibit L):

Referring to the authorization dated July 14, just received from your office, to pay George D. Lamb, New York, N. Y., 12½ cents each for 300 No. 1 carriers' straps, 15 cents each for 150 No. 2 straps, and 17½ cents each for 100 No. 3, I beg leave to ask your attention to my letter of May 29, 1897, and to suggest that at the prices above quoted the cost of these straps would be \$77.50. At the prices mentioned in my letter above referred to, the same number of straps of the several sizes could be supplied here at the cost of \$39.25, the latter straps being also in my judgment, and in that of my carriers who have used both, more serviceable and convenient in use.

The reply to this letter, initialed by Machen, is as follows:

Replying to yours of the 24th ultimo, I have to say that the straps for this year were purchased of Mr. George D. Lamb, in accordance with contract with this office.

This bold statement is made in the face of the fact that no contract had ever been entered into with Lamb. They were still purchased under the guise of experimental service, the price being fixed by verbal agreement between Machen and Lamb.

On May 11, 1899, W. D. Stinson, postmaster at Augusta, Me., wrote:

Previous to my coming to this office verbal instructions were given to the carriers that they must not use rubber bands, but should use straps, in making up mail. \* \* \* The use of them is attended with considerable annoyance and inconvenience. \* \* \* Recently I received a peremptory order in one of your letters that these rubber bands must not be used, but that straps should be used exclusively. \* \* \* In talking with the carriers yesterday they signified entire readiness to pay from their own pockets for rubber bands if they might be allowed to use them, and easily showed me that the use of straps would take away considerable aggregate time from their work. \* \* \* I would rather really pay for the bands myself than to lose the time necessary in making up the mail.

To this letter no reply was made.

The question naturally arises, Why were these straps forced upon postmasters against their protest and at excessive prices? The cause is revealed in the following story:

George D. Lamb, from whom the straps were bought originally, died about three years ago, and with him is buried the secret of the origin of his business with the Department. His widow inherited the business, and the active financial management of the same was placed in the hands of her son, George B. B. Lamb, a reputable lawyer of New York City.

George D. Lamb did business with the Department direct. Nowhere in the correspondence or in any of the business transactions is there any allusion to an agent or representative of any kind, in Washington or elsewhere. But it appears that a man named W. C. Long quietly appeared at regular intervals at Mr. Lamb's office and collected a specific sum of money. This is the same Long who, through the friendship of Louis, secured the contract for inking-pads in 1898. The story is told by George B. B. Lamb, the son, as follows (Exhibit L-5):

I am a practicing attorney in the city of New York, and the only son of George D. Lamb, the patentee and proprietor of the strap that has been in use for a number of years by the Post-Office Department, known as the Lamb National strap. My father died on March 21, 1900. During his lifetime he had on one occasion introduced me to a man named W. C. Long. This introduction occurred several years



before my father's death, in my father's office. At that time my father told me that he was paying Mr. Long 2½ cents per strap for the straps furnished the Post-Office Department. He did not say exactly what his relations with Mr. Long were, nor why he paid this percentage. My best recollection is that I saw Long only at one time other than this at my father's office, possibly a year later; that is, during my father's lifetime. Shortly after my father died Long called upon me, I should say about July, 1900. He said to me, "You know I have been representing your father in Washington, and I suppose that you want me to continue in the same capacity for you." I told him I would think it over.

My mother has inherited the business of my father by his will, and I told her of this interview and she left the matter to my judgment. I did not know what the connection was between my father and Mr. Long, nor what Mr. Long's connection was in Washington, but I felt that I ought to continue the payments to him because I feared that in some way or other, if I did not do so, we would not be called upon to furnish any more straps to the Post-Office Department. I did not get this impression from anything that he told me or anything that he did, but it was in a sense of self-protection that I decided to continue the payments to Mr. Long. \* \* \*

Some time along in the early part of 1901, at Mr. Long's second visit to me, he said he thought he ought to have 5 cents on the shoulder straps, that my father had agreed to that, but I told him that I could not do anything of the sort, and we finally compromised on 4 cents on the shoulder straps from then on.

The above was related by Mr. Lamb frankly. He believed that his father felt he had a meritorious article and that he yielded to the necessity of conditions to secure its adoption by the Department. But it should be said to the credit of Mr. George B. B. Lamb, and Mr. James Beveridge, the present manager of the business, that, unlike most of the dealers encountered in the course of this investigation, they stated frankly to the inspectors, without hesitation, apparently all they knew about the transaction of their company with the departmental officers. According to the most accurate estimate that can be given, the Department has purchased about 1,100,000 of these straps, for which Lamb paid Long contributions aggregating about \$30,000.

The W. C. Long referred to was formerly a laborer in the Supply Division of the Post-Office Department, with compensation at \$660 per annum. In August, 1893, he resigned and became, ostensibly, an insurance agent; but he has done little business in that line, and had no other known occupation; yet, in one bank in this city, during the last three and a half years, he has deposited in his personal account about \$35,000.

During the fiscal year 1902 he collected from the Lamb firm alone \$9,140.22. A part of this money has been traced directly into the hands of Machen, and the inspectors have evidence that Machen received 60 per cent of the gross amount paid. Long and Machen have been indicted (Exhibit L-6) by the Federal grand jury in the District of Columbia, together with a man named Stern, for conspiracy to defraud in connection with these transactions; and much of the evidence which would otherwise be submitted as exhibits with this report is in the hands of the district attorney to be used in the trial of the criminal cases that have been instituted.

#### CARRIERS' SATCHELS.

The satchels in which the carrier's mail is deposited for delivery upon his route are purchased by the Department under contracts running for a period of four years. These contracts are signed by the Postmaster-General, one copy is retained in the Department, one given to the contractor, and one filed with the Auditor for the Post-Office Department.

## BOYLE CONTRACT.

On June 25, 1894, a contract was executed with John Boyle & Company, of New York, for furnishing these satchels for four years from July 1, 1894. The strap which suspends the satchel from the carrier's shoulder was made by the specifications a part of the satchel, to be furnished by the contractor. There were four varieties of satchels, prices being \$1.93, \$1.98, \$2.75, and \$2.75.

Boyle & Company's contract became operative July 1, 1894. The first order given for satchels was August 7; then six others, as follows: August 9, 10, 11, 14, 15, and 16. These orders were filled according to the specifications of the contract, Boyle & Company furnishing the satchels with straps.

On August 18 a letter bearing Machen's initials was addressed to Boyle & Company, which reads as follows:

I have instructed George D. Lamb, of New Haven, Conn., to ship you 500 of his shoulder straps for satchels. Please attach these to the 500 satchels ordered from your shop, that they may be thoroughly tested.

In reply to the above letter Boyle & Company, August 21, said:

Are we to understand that the same are to be used upon all satchels ordered and furnished without regard to number or destination after receiving the straps, and if so shall we notify the Department where the same have been sent, so that reports of results can be called for?

On August 18, the same day that Machen wrote Boyle & Company, he also wrote George D. Lamb, instructing him to forward 500 shoulder straps to Boyle & Company. This was the beginning of the shoulder-strap deal between Lamb and Machen, referred to previously. These straps were "tested" continuously for nine years, until Machen was removed from office.

Again, on November 19, Boyle & Company telegraphed:

Your telegram ordering us to use the shoulder straps sent by George D. Lamb received. Your orders will have our best attention.

And on January 4, 1895, Boyle & Co. again telegraphed:

Shall we furnish satchels with regular straps or wait for Lamb's?

And as late as July 30, 1897, they wrote:

It is very necessary for us to know whether you are going to furnish us with the new straps which we have been putting on the bags for the last two years. \* \* \* Please let us know at once what we are going to do about the matter.

The only reply to the last letter was an order to Lamb to ship 3,000 shoulder straps to Boyle & Company.

During the life of the Boyle contract 20,784 shoulder straps were sent him, for which the Department paid \$8,199.69. No deduction was ever made from Boyle & Company's bills on account of having been relieved from furnishing the straps; and Boyle states (Exhibit L-7) that he never was asked to make any reduction.

At this time Long and Machen were receiving only 2½ cents each from Lamb for these straps. The Department, therefore, was mulcted in the amount of \$8,199.69, that Machen and Long might receive \$519.30.

## STERN CONTRACT.

The contract with Boyle & Company expired June 30, 1898, and bids were again requested for the supply of satchels for a period of four years from that date. A committee was appointed by the Post-

master-General to open the bids and award the contract. This committee consisted of A. W. Machen, T. B. Marche, his chief clerk, and D. P. Leibhardt, father of his stenographer. There were five bidders, one of whom was Boyle & Company. Upon the recommendation of this committee the contract was given to Leopold J. Stern, of Baltimore, who was not a manufacturer of leather goods, but a dealer in slate goods and plumbers' supplies.

Stern was a young man of limited means. The specifications called for a satchel with leather strap, minutely described. Boyle & Company, in their bid, offered to furnish satchels with a regular strap at specific prices, or to equip them with another strap for 8 cents additional, this strap having a patented buckle which made it slightly more expensive.

The contract, as recommended by the committee, was awarded to Stern and executed June 17, 1898. It provided that he should furnish satchels with straps attached. Yet, on June 16, one day before, an order was sent to George D. Lamb to ship 6,000 shoulder straps to Leopold J. Stern, of Baltimore, Md. And thus Stern was relieved of furnishing the straps, in violation of the specific terms of his contract, even before the contract was executed. No deduction was ever made from his bills to the Department during the four years of the contract.

Machen stated that Stern was relieved from supplying these shoulder straps because of an advance in the price of leather, incident to the Spanish-American war; that Stern complained that he was losing money on the contract, and in a spirit of generosity the Department relieved him of furnishing the straps. The record, however, shows that the specifications upon which Stern prepared his bid were not sent him until May 7. And his bid was not submitted until May 25, at which time war had been in progress more than a month, and the battle of Manila had been fought.

It further appears that one day previous to the execution of the contract, and a week before an order was given for satchels, Lamb was ordered to ship 6,000 straps to Stern, at Baltimore. Stern stated (Exhibit L-10) that he was relieved from furnishing the straps by George M. Allen, chief clerk to the First Assistant Postmaster-General, and Thomas B. Marche, chief clerk to Machen. Both of these men are dead, and it is easy to attribute any statement to them; but the claim that these two subordinate clerks could change or modify a contract executed by the Postmaster-General is so manifestly ridiculous that it needs no refutation.

Stern, during the period of his contract, was supplied with 55,700 shoulder straps at a cost to the Department of \$22,001.50. During a part of this time Lamb paid Long  $2\frac{1}{2}$  cents each as bonus on straps. But afterwards, during the latter part of the contract, he was required to pay 4 cents each. This, however, was not all of the interest Long and Machen had in Stern's contract. The value of the straps required by the specifications is estimated at 25 cents each, which, on the 55,700 that Stern was relieved from furnishing, would amount to \$13,925. There is evidence (Exhibit L) that Stern paid Long during two and a half years of the period of this contract at least \$5,662.63, and that this amount was divided between Long and Machen. So that during the Stern contract Long and Machen not only received a commission from Lamb on the straps furnished, but were also paid by Stern for the straps which they furnished him. And the Depart-

ment was defrauded out of \$22,001.50 by these three men. Long does not claim to have been an agent of Stern in any way, directly or indirectly.

## INFERIOR GOODS.

The loss to the public service by this conspiracy of Stern, Long, and Machen, is not measured by the direct loss of \$22,001.50. The satchels furnished by Stern were of a cheap and inferior grade.

On September 26, 1898, the postmaster at Covington, Ky., wrote:

I have received and paid for 6 carriers' satchels from contractor Stern, of Baltimore. \* \* \* All of these satchels seem to be of an extremely worthless character, being made apparently of sheepskin. \* \* \* Would like to have you forward me, through some responsible contractor, 6 good ones.

September 30, 1898, the postmaster at Davenport, Iowa, wrote:

I have to report the receipt this day of 6 leather satchels from Leopold J. Stern, of Baltimore, Md. I would respectfully say that these satchels are of a very inferior quality.

October 14, the postmaster at Chicago, wrote:

A number of collectors' satchels have been received at this office from Leopold J. Stern, the manufacturer, at Baltimore. Some of them have been put in use recently, and complaint is already made of imperfections in their construction. \* \* \* The satchels will not be serviceable unless the workmanship on the balance is better than on those that have already been put into use. It occurs to me that possibly the satchels may not be exactly according to specifications, and have therefore deemed it proper to call attention to the matter.

Machen, being engaged in a criminal conspiracy with this contractor to defraud the Government, was not in a position to require him to comply with the specifications of the contract, and as a result worthless goods were put upon the Department. Machen, Stern, and Long were indicted on July 31, 1903, by the Federal grand jury in the District of Columbia for conspiracy to defraud; a copy of the indictment is submitted herewith (Exhibit L-6).

## CRAWFORD CONTRACT.

On June 30, 1902, the contract with Stern expired and a new contract was entered into for a period of four years from that date with the Postal Device and Lock Company, of New York, represented by William G. Crawford, of Washington, D. C.

Crawford was the deputy auditor for the Post-Office Department under the last Cleveland Administration, serving from June 12, 1893, to September 15, 1897. Since that time he has lived in Washington, his business apparently being that of a departmental attorney or lobbyist. As deputy auditor he became familiar with the affairs of the Post-Office Department and intimately acquainted with Machen.

The specifications for satchels upon which bids were received for this contract were the same as under the two previous contracts, and the description of the shoulder strap to be furnished with the satchel exactly the same as formerly. Previously the satchels had been of leather, but inserted in the specifications this time, was the following vague and ambiguous paragraph:

Proposals to furnish satchels of other material than those specified in these specifications will be considered if it is shown that the materials are better adapted for satchels used in the Free-Delivery Service.

Nine bids were received, all but one for leather goods as advertised. This paragraph, which did not attract the attention of anyone but

Crawford, proved to be an important provision in the specifications, and was doubtless placed there for a purpose.

Crawford, of the Postal Device and Lock Company, submitted a proposal to furnish satchels made of "pegamoid" or "fabricoid" leather. This "pegamoid" or "fabricoid" is an English patented process by which cotton duck or other materials are coated with a waterproof substance in imitation of leather. It is waterproof, and is used by the Navy Department as a covering for cushions used on vessels. It is not so expensive nor is it so durable as leather.

The committee that year was composed of John D. King, employed in the rural delivery service, who at that time had great confidence in Machen; Emanuel Speich, a subordinate clerk in Machen's office, and who is now one of his bondsmen in the criminal cases that are pending against him; and James E. Bell, superintendent of carriers of the Washington City post-office. This committee, after examining the merits of the "pegamoid" satchels submitted by Crawford, recommended that he be given the contract, and on June 25 it was awarded him at the following prices: Class A, \$2.19; Class B, \$3.16; Class C, \$3.15. Thus a contract was entered into for a period of four years to supply carriers' satchels made from an untried coated cloth, at prices higher than had been paid for leather satchels under former contracts. It is presumed none of the other bidders thought that satchels made from this material would be accepted by the Department, since they submitted bids only for leather satchels. The inspectors when investigating this case secured figures on satchels made of this material from three of the firms that had bid at this letting, and the prices offered were \$1.16½, \$1.75, and \$1.79, respectively, on the "A" satchel, for which Crawford received \$2.19. No effort seems to have been made by the committee to get bids from other manufacturers on cloth satchels, but under the vague paragraph in the advertisement heretofore referred to, the contract was awarded to Crawford.

This pegamoid satchel has not proven a success. The coating wears off easily and it can not be successfully repaired. On an average they last about half as long as the leather satchels.

Three days before the bids were opened an agreement was entered into between Crawford and George E. Lorenz, of Toledo, Ohio, whereby Lorenz was to receive all profits from the proposed contract in excess of 25 cents per satchel, in consideration of which Lorenz "agrees to give the said party of the first part all his best efforts and services toward securing the award to the said party of the first part," etc.

After the contract had been awarded to Crawford, but before any satchels were ordered, another agreement was made between Lorenz and Crawford and substituted for the original one. This last agreement provides:

That the said George E. Lorenz, party of the second part, is to have the exclusive right to furnish or cause to be furnished to the said Postal Device and Lock Company from time to time \* \* \* all shoulder straps used or required to be used under and by virtue of said contract of June 25, 1902. \* \* \* That the said Postal Device and Lock Company, party of the first part, shall pay over to the said George E. Lorenz, party of the second part, the sum of 45 cents for each "A" bag or satchel, the sum of \$1.19 for each "B" bag or satchel, and the sum of 84 cents for each "C" bag or satchel.

The straps cost 39½ cents each, so it will be seen that Lorenz was to receive, in addition to the full value of the strap, a large part of the profits on the satchel.

The first order given to the new contractor by Machen was for 5,000 satchels, Class B, for which \$15,800 was paid by departmental warrant October 15, 1902. On October 21 Crawford drew a draft for \$5,441.35 in favor of George E. Lorenz, of Toledo, Ohio, as his share of this warrant under the terms of their agreement. Lorenz deposited this draft on October 24, and on the next day remitted drafts amounting to \$1,400 to Machen, and a draft, payable to bearer, for \$1,465.34 to Crawford, which draft was cashed at the Bank of New York, New York, on November 7, in a very singular and unusual way, being without indorsement. The same day that this "bearer" draft was cashed Crawford made a cash deposit of \$1,465 at the United States Mortgage and Trust Company, New York, N. Y., the entire proceeds of the draft, less 34 cents. Other payments were made on the contract on December 20, 1902; January 15 and March 17, 1903, in sums of \$5,481.51, \$3,337.02, and \$2,374.74, respectively; and similar remittances were made to Crawford and Machen (Exhibit L).

An analysis of their bank accounts shows that the money which was paid to Lorenz was subdivided between Lorenz, Machen, and Crawford. Machen and Lorenz each received  $37\frac{1}{2}$  per cent, and Crawford 25 per cent (Exhibit L).

The Postal Device and Lock Company was financed by Spencer Trask, of New York, a wealthy banker of that city. Crawford in some way made his acquaintance and induced him to furnish funds for the promotion of this company.

Under the provisions of the first agreement entered into between Lorenz and Crawford, the company was to receive a net profit of 25 cents per satchel, after which Lorenz would have received the remainder, whatever it might be. Crawford was paid a salary by the company (Exhibit L-14), so that if there was any profit in the contract the company was safe. After the contract was awarded, however, Crawford and Lorenz fixed up another agreement in lieu of the one already entered into by which Lorenz was to receive a stipulated sum per satchel, regardless of the profits of the company, and Lorenz agreed to furnish the straps. To make this proposition interesting to Crawford, Lorenz seems to have agreed to pay him personally one-quarter of the bonus, and the company which Crawford was supposed to represent had to take its chances of getting something out of what was left after the cost of manufacture was paid.

The straps were never furnished by Lorenz; but by Machen's order the Lamb strap was furnished as usual and paid for by departmental warrant at  $39\frac{1}{2}$  cents each. Crawford, as representative of the company, paid Lorenz for the straps, and also gave him an additional bonus on every satchel. Lorenz paid Crawford personally one-quarter of the entire amount he received and then gave Machen half of what remained. Lamb, in the meantime, was paying to Long and Machen a bonus of 4 cents on each strap.

This was probably the most skillful and complex scheme invented by any of the "postal grafters." It consisted of a double conspiracy; first, Lorenz and Machen conspired with Crawford to defraud the Government out of the price of the straps; then Crawford conspired with Machen and Lorenz to defraud his own company out of the profits of the manufacture of the satchels; while on the side was Long and Machen with their 4-cent "graft" on straps.

Machen's methods were progressive. They developed with time. During the life of the contract with Boyle & Co. he received only a percentage from Lamb on the straps. When Stern had the contract he received not only a percentage on the straps but a bonus from Stern for furnishing them, while from Crawford he received a percentage on the straps from Lamb, also the price of the strap from Crawford, and in addition to this part of the profits on the manufacture of the satchel itself. What his next move would have been it is difficult to conjecture.

On July 31, 1903, Machen, Crawford, George E. Lorenz, and Martha J. Lorenz were indicted by the Federal grand jury in the District of Columbia for conspiracy to defraud (Exhibit L-17).

#### RUNKLE CONTRACT.

In the award for 1902, the furnishing of the satchels was divided between two contractors, classes A, B, and C going to the Postal Device and Lock Company, and classes D and E to Maurice Runkle, of New York.

The straps were furnished to Runkle the same as they had been to Boyle, Stern, and Crawford. The arrangement between Runkle and Machen was similar to that between Stern and Machen, except that Long does not appear as an intermediary. The business seems to have been done direct between Machen and Runkle. Runkle was relieved from furnishing straps the same as the other contractors had been. The relations between Machen and Runkle, however, will be discussed in detail hereafter in connection with other transactions.

The straps for eight years were sent direct by Lamb to the contractors. But in 1902, at the time when the Crawford contract became effective, they were ordered shipped direct from Lamb to the Department, and from the Department they were shipped back to the satchel manufacturers at New York and Hartford.

What the purpose was in changing the method of shipment does not appear; but doubtless Machen thought it would be the more secure way to handle the business, considering the ramifications of his deals with Crawford and Lorenz.

The minimum amount of money actually stolen by the shoulder-strap swindle is \$35,669.71; but the loss to the Department was far in excess of that, because goods of inferior grade were furnished in order to enable the contractors to make excessive profits, so that they would be able to divide liberally with Machen and his confederates.

#### GROFF FASTENERS.

The Groff fastener is a patented device for attaching street letter boxes to posts. The original method of attaching was by two iron bands with threaded ends encircling the post and passing through holes in the back of the box. Nuts were screwed upon the bands inside the box so as to draw it up firmly against the post. Contractors for street letter boxes were required to furnish these bands with the box. Postmaster-General John Wanamaker executed the contract on March 3, 1893, which contained this provision:

Said boxes to be lettered, painted, and crated, and all necessary bands for fastening the said letter boxes to posts to accompany same.

This system worked satisfactorily for thirty years. The record does not show that the Department suffered any inconvenience therefrom.

Samuel A. Groff, a police officer in Washington with a "tinkering turn," invented a special contrivance on which he secured a patent in May, 1894, consisting of two matched iron cleats, one to be bolted to the box and the other to the post. The cleats are joined by sliding one over the other in a grooved socket, and are fastened securely by a locking spring.

Before the patent was secured, however, Groff consulted Machen, who, on November 22, 1893, furnished him two boxes for the purpose of perfecting the device. Nothing of record further appears until July 5, 1895, when the postmaster at Washington was directed to pay \$1,500 for 1,000 Groff fasteners, and, as a result, the street letter boxes of that city were equipped with the device. On September 14 following, 2,000 fasteners were ordered for Philadelphia, at a cost of \$3,000; 2,000 were sent to New York in February next, and 2,800 to Chicago on June 30, 1896. No contract was ever executed by the Department for these fasteners. All purchases have been made as the result of a verbal arrangement between Machen and the Groffs.

That this method of attaching letter boxes was not a necessity, nor even desired by the postmasters in many of the large cities, is clearly demonstrated.

On July 30, 1896, the postmaster at Boston, Mass., commenting upon the Groff fastener, said:

First. Its mechanism is such that no matter how securely its component parts may be attached to a box and post, or wall, still it will be shaky, for there is considerable play between the two sections of the fastener which can not be overcome.

Second. Its form is such that whether attached to a flat or curved surface it keeps the box away from same, and consequently there is no back support to steady the box in the least.

Third. Its mode of attachment is such as to weaken the box, in my opinion, for the strain will come in a direct line through its center, which must be pierced by three holes. \* \* \*

Fourth. With the straps now used it is unnecessary to do any drilling in attaching to a post, but with the new device such would be absolutely necessary. \* \* \*

Fifth. The expense in putting up a box equipped with this device would be much greater than with the straps now in use. \* \* \*

In closing I would state that if this fastener is adopted and ordered in use by the Department, then some method should be devised for plugging the four holes now found in the back of all boxes; otherwise in stormy weather the contents would undoubtedly be damaged.

The postmaster at Cleveland, Ohio, on May 19, 1896, wrote:

I take it that the use of these adjustments is calculated by the Department to protect the mails from the rain and weather, but I beg to advise you that we have had in this city no trouble on account of rain and weather, and no complaints of any kind have been made that mail in the boxes has been injured or soiled by the weather. These Groff adjustments, I understand, are to be booked to us at \$1.50 apiece. This will add very materially to the cost of our Free Delivery Service, and as they can not be put upon boxes attached to wooden posts, I give it as my opinion that there is really no necessity for the adoption of these adjustments in this city, and unless overruled by the superior wisdom of the Department, I shall proceed no further along that line.

Neither of these letters was answered as far as the records of the Department show, but the fasteners were ordered attached to the boxes in both cities. They were forwarded to the postmasters throughout the country, whether desired or not. The obstacles to their use, how-



ever, in some cities, could not be wholly overcome. In New York they could not be fastened to the kind of posts then in use, and the 2,000 sent to that city in February, 1896, remained in the post-office over four years unused. Recently 550 were discovered in the basement of the Milwaukee post-office. In Chicago their use was impracticable, and the 2,800 sent to that city remained there over six years, when 2,284 were shipped elsewhere.

In addition to the price of \$1.50 for each fastener, postmasters were required to pay the freight and cartage charges, which expenditures in the aggregate amounted to many thousands of dollars. The box contractors were not asked to reduce the price of their boxes because of being relieved from furnishing the iron bands; so that the Department continued to pay for the old fasteners.

That the equipment of the service with this patented device might be more expeditiously done, John F. Clark, of the Washington post-office, who acquired experience in attaching the Groff fasteners in this city, was sent over the country, at the Department's expense, to attach these fasteners; and in 1897 he was joined by Frank S. Machen, a brother of Superintendent Machen, and others, who in squads, usually of four in number, went from city to city taking down letter-boxes and fastening them to posts by the patented process.

Postmasters were required to furnish them room when practicable. These traveling mechanics would also rent a shop, buy tools, hammers, chisels, etc., hire a wagon to drive over the city and cut down letter-boxes that were already securely fastened, take them to the shop, plug up the holes in the back of the box that had been made to accommodate the original fastener, bore additional holes in order to attach the Groff fastener, and then readjust these boxes to the posts from which they had been taken. Thousands of dollars were expended in this way under the head of "Payments for erecting, repairing, and painting letter-boxes and attaching Groff fasteners."

The postmasters in the respective cities were ordered to pay the railroad fare and per diem expenses of these traveling "mechanics" whose business it was to see that the Groff fastener was used.

In the early part of 1897 John D. Miller, of this city, called upon Superintendent Machen and sought to interest him in a device which he had for attaching letter-boxes to posts. He was told by Machen that so few fasteners were used that it was not worth while to bother with it. Since that conversation, however, 70,000 Groff fasteners have been ordered by Machen.

The cost of the manufacture of the fastener is 25 cents each. Most of them were made by iron works near Philadelphia, Pa. The price to the Department, namely, \$1.50, seems to have been agreed upon between Machen and Groff.

The introduction of the Groff fastener into the postal service is one of the boldest of Machen's schemes.

If the old method of attaching letter-boxes was regarded as unsatisfactory, an improvement should have been sought by advertising for a contrivance. This would have brought numerous suggestions. Then selection could have been made of the most suitable device presented. The new device could have been installed when new boxes were erected or the location of the old ones changed. The employment of squads of men in 1897, at heavy expense to the Department, to go over the country and cut down boxes that were already securely fastened and

reattach them with this expensive device was such an extraordinary proceeding that it should have aroused the suspicion of his superior officers.

For four years payments for these fasteners were made through local postmasters. A sufficient number would be sent to the postmaster to equip the service in his city, and he was directed to pay to the Groff brothers \$1.50 each. Since 1899 the method of payment has been by departmental warrant. About that time the price was reduced from \$1.50 to \$1.25. Why this reduction was made does not appear, except that Machen, on June 19, 1899, asked one of the Groffs to "come to his office at his earliest convenience," and it is supposed that as a result of this personal conference the price was reduced.

The promotion of the use of this device in such an unusual manner, at so great an expense, is in itself evidence of some interest other than the welfare of the service. Machen stated that he had no financial interest, directly or indirectly, in the patent. The Groffs both stated that they had never paid any departmental officer or anyone else, directly or indirectly, any part of the moneys received for the device. The investigation by the inspectors, however, revealed certain suspicious circumstances. The Groffs, who for years had been doing a business of from \$10,000 to \$15,000 per annum with the Post-Office Department, both said that they had no account books and that no record of any kind had been kept of the hundreds of shipments made to the various post-offices throughout the country. They stated that their profit was \$1 per fastener, which was divided equally between them. Their story was too unreasonable for belief, and its falsity was finally demonstrated by the ingenuity of Inspector Walter S. Mayer, of Chicago, who discovered that the Groffs, instead of dividing the \$1 profit equally between themselves, were giving half of it to some other person, and were dividing the remainder equally between themselves. After a research lasting for some weeks it was discovered that George E. Lorenz of Toledo, Ohio, was receiving 40 per cent of the whole amount paid for these fasteners, or just one-half of the profit. Lorenz was formerly postmaster at Toledo and Machen was his assistant.

The bank account of George E. and Martha J. Lorenz proved to be the vat into which this 40 per cent stream emptied. Time after time, when payments were made by the Department, 40 per cent of the amount, exactly, was remitted by the Groffs to George E. Lorenz. But this 40 per cent did not remain long in the Lorenz bank account, but promptly remittances were made of one-half the amount to Machen. Sometimes Machen would draw on Lorenz for his half before the Groff remittance was received at Toledo.

The following table clearly illustrates the methods of remittances by the Government to the Groffs, from the Groffs to Lorenz, and from Lorenz to Machen:

Date of Groff warrants.	Amount of warrant.	Date received by Lorenz.	Amount received by Lorenz.	Ratio.	Date received by Machen.	Amount received by Machen.	Ratio.
				<i>Per ct.</i>			
November 18, 1899 .....	\$3,503.75	Nov. 27	\$1,401.50	40	Nov. 28, 1899	\$700.75	40
January 12, 1900 .....	5,156.88	Jan. 27	2,062.74	40	Jan. 25, 1900	1,031.00	40
July 30, 1900 .....	7,551.88	Aug. 8	3,020.74	40	Aug. 10, 1900	1,510.37	40
September 1, 1900 .....	6,252.50	Sept. 20	2,501.00	40	Sep. 24, 1900	1,250.50	40
September 22, 1900 .....	7,500.00	Oct. 12	3,000.00	40	Oct. 19, 1900	1,500.00	40
November 27, 1900 .....	7,500.00	Dec. 17	3,000.00	40	Dec. 19, 1900	1,500.00	40
January 9, 1902 .....	6,250.00	Jan. 20	2,500.00	40	Jan. 24, 1902	1,250.00	40

Since July, 1895, when the first order was given for Groff fasteners, 97,017 have been paid for by the Department, at an aggregate cost of \$128,651.25. Ten thousand four hundred during the last fiscal year were ordered, but payment was deferred because of an exhausted appropriation, making a total of 107,417 ordered by Machen, at a total cost of \$141,651.25. Add to this the expense of taking down the boxes and reattaching them with the new fasteners, freight, cartage, etc., and the expenditure for this contrivance during the last eight years would aggregate not less than \$200,000.

Of the \$128,651.25 that has been paid to the Groffs, Machen and Lorenz received \$51,460 during the last eight years, which, divided equally between them, makes over \$3,000 a year each that these conspirators have received from this one scheme. The unusual methods resorted to by Machen to extend the use of the Groff fasteners is therefore explained. Every box that was torn down and reerected at the Government's expense yielded Machen and Lorenz 50 cents net.

The Groffs, Machen, and Mr. and Mrs. Lorenz were indicted by the Federal grand jury in the District of Columbia on June 5, 8, and 22, 1903 (Exhibits L-26, L-27, and L-28), for conspiracy to defraud and the offering and receiving of bribes.

An incident in connection with the use of the Groff fastener is the purchase of 35,474 of them for use in the Rural Free-Delivery Service. The record of the Department shows that but 23,818 letter boxes have been furnished for use in the rural service, leaving an excess of 12,000 fasteners to be accounted for. Whether these 12,000 were ever furnished can not now be determined.

#### PAINTING OF STREET LETTER BOXES.

The color of the paint on the street letter boxes has been changed from time to time according to the taste of the administrative officers of the Department. Years ago it was dark green, afterwards vermilion red, which, at Machen's suggestion, was changed to aluminum bronze.

In the matter of painting, three items are considered—the post, the letter box, and the package box. The method of painting boxes when Machen assumed charge of the Free-Delivery Service was to authorize postmasters to receive bids from local painters, which he would submit to the Department with a statement as to the reliability of the various bidders. The Department would then authorize him to have the boxes painted at the figure named by the lowest responsible bidder.

In 1897 Machen adopted the aluminum color, and also changed the method of painting. He arranged with John T. Cupper, of Lock-haven, Pa., to paint all of the letter boxes in the United States, allowing him 25 cents each for the posts, 50 cents each for the letter boxes, and \$1 each for the package boxes; posts to be painted green, boxes aluminum bronze.

Cupper claimed to have a patent paint designed especially for this kind of work. No bids were ever asked from any other painter and no contract was made with Cupper. It was simply a verbal arrangement between himself and Machen.

Another feature of the agreement between Machen and Cupper was that when Cupper did not do the work of painting he should furnish the material, for which he was to receive 38 cents per letter box and 75 cents per package box. Under this arrangement a squad or

two of Government employees were started over the country painting letter boxes. These men were usually paid about \$3 per day and expenses.

In December, 1897, the postmaster at Chattanooga, Tenn., was instructed to have his letter boxes painted by these traveling painters; and L. W. Hardy, R. C. Cox, A. B. Coleman, and C. M. Cheney were sent there to do the work. They were paid expenses, including railroad fare from Washington to Chattanooga and return. The total payments by the postmaster at Chattanooga to these men were \$1,058.67, for work which doubtless he could have had done by local painters for one-fifth of that amount. Such an unwarranted expenditure can only be explained by the fact that part of the time these painting brigades were adjusting Groff fasteners. After the boxes had all been attached by these patent fasteners, painting by traveling representatives of the Department was discontinued. Machen and Cupper then adopted a different method. The postmaster would be directed to have his letter boxes painted, sometimes at his request and sometimes without it. The following letter, addressed to the postmaster at Washington, July 30, 1897, is a sample of those written to postmasters throughout the country:

It has been decided to have all of the street letter boxes in Washington painted with the Cupper aluminum paint. Mr. Cupper will do this work, and you will make arrangements to give him the necessary facilities. Regular letter of authority will reach you in due course of mail.

Pursuant to this order 1,051 boxes were painted in Washington, for which Cupper was paid 50 cents each, or \$525.50.

There was no regularity as to the length of time that should elapse between the painting of the letter boxes. At the smaller offices in distant parts of the country, where the profits from the work would be small, they were not generally painted to exceed once in five years, and sometimes not that often, while at the larger offices, where the job would be lucrative, they were painted frequently.

In December, 1899, Machen advised the postmaster at Washington that John T. Cupper, the contractor, had been directed to paint the letter boxes of that city; and on February 27, 1900, Cupper was paid \$838.75 for the work. In April, 1901, less than fifteen months afterwards, the postmaster was again advised that the contractor, John T. Cupper, had been instructed immediately to repaint the boxes, which Cupper did at a cost of \$906.

In New York and Brooklyn the boxes were painted in December, 1899, at an expense of \$2,259, and in August and September, 1901, twenty or twenty-one months later, they were again painted, at an expense of \$2,986.75. In Philadelphia they were painted in October, 1901, at a cost of \$2,700, and in December, 1902, at a cost of \$2,868.

Cupper frequently visited the large cities and made personal arrangements for the painting; but in cities of less consequence, where it was not convenient for him to visit, a letter would be written from the Department, bearing Machen's initials, of which the following is a sample:

I have instructed the contractor for painting letter boxes, Mr. John T. Cupper, Lockhaven, Pa., to make immediate arrangements for painting the letter boxes, etc., in use at your office. The letter and package boxes will be painted one coat of aluminum bronze and the posts scraped and painted one coat of bronze green.

As it will be impossible for the contractor to personally visit your office, this will

be your authority to assist him in securing the services of a reliable painter competent to do this class of work.

When the work in your city has been satisfactorily completed you will pay Mr. Cupper at the rate of \$1 per package box, 50 cents per letter box, and 25 cents per post.

This letter would be followed by one from Cupper, advising the postmaster that supplies had been forwarded, asking him to have the boxes painted by a local painter, and authorizing him to pay for the work at the rate of 5 cents per post, 15 cents per letter box, and 25 cents per package box.

On July 24, 1900, the postmaster at Springfield, Mass., submitted a proposal for painting the box equipment of that city with aluminum bronze at 15 cents per letter box and 25 cents for each package box; costing in all, \$32.25. On July 27 he was informed that John T. Cupper, the contractor, had been instructed to arrange immediately for painting the boxes, which was done. After the work was completed the postmaster was directed to pay Cupper \$100.50, over three times as much as asked by the local painter.

On April 19, 1901, the postmaster at San Francisco requested authority to expend not more than \$149.70 in the purchase of aluminum bronze and other material for painting his letter boxes, stating that he could have the labor performed by employees of the post-office without interfering with their other duties. His request was complied with, and he expended \$105.76 of the amount allowed. In May, 1902, he again asked permission to expend not to exceed \$180 for the painting of the letter boxes. In answer to this request he was directed to inform the First Assistant Postmaster-General of the number of boxes that needed painting, and was advised that material for such painting would be shipped him. On June 5 the postmaster replied, giving the number as 2,005; and on June 14 a letter was addressed him, bearing Machen's initials, which said:

I have instructed Mr. John T. Cupper of Lockhaven, Pa., to send you sufficient material for painting 1,871 letter boxes and 134 package boxes at your office.

Another letter bearing Machen's initials, on August 22, reads as follows:

Inclosed herewith find bill of Mr. John T. Cupper for \$811.48, for sufficient aluminum bronze for painting 1,871 letter and 134 package boxes. If this material has been received you will pay Mr. Cupper the above-named amount.

On September 10 the postmaster, as directed, paid Cupper \$811.48 for material which he had ninety days previously notified the Department he could secure of local dealers for \$180.

I do not believe that a postmaster should be excused for permitting the public revenues to be robbed in this way without first making a direct protest to the Postmaster-General. It should be said to the credit of some postmasters that they have not pliantly acquiesced when it appeared to them that public moneys were being wasted. On August 8, 1900, the postmaster at Fort Wayne, Ind., wrote the First Assistant Postmaster-General as follows:

Referring to your communication of the 6th instant, subject, painting letter and package boxes at this office, I think I ought to call your attention to the fact that this work was done less than a year ago, namely, in October, 1899, and that posts, letter and package boxes in this city are generally in very good condition at this writing. For this reason, unless your contract requires the immediate repainting of boxes, etc., I would respectfully recommend, in the interest of economy and a bet-

ter job of work under this contract, that it be deferred until next spring, say about May 1, at which time the work will not suffer from the dust and insect life so abundant at this time.

In March, 1902, the postmaster at New Orleans had employed a local painter to furnish the material and paint the boxes at the rate of 34 cents per letter box, 60 cents per package box, and 10 cents per post. In November, seven months afterwards, he was notified that John T. Cupper had been instructed to paint the letter boxes at New Orleans, and he was directed to pay him the standard rates of 25 cents, 50 cents, and \$1, according to the schedule. The postmaster, however, notified the Department that the boxes did not need painting, and no further action was taken.

The postmaster at Columbus, Ohio, on September 24, 1898, upon receiving Cupper's bill for material, wrote:

It would seem to us from the stock received and the bills presented for payment, the amount is excessive, of which fact you should be advised before payment is made.

No reply was made to this communication.

The manufacturers of letter boxes by the terms of the contract were required to letter, paint, and crate the boxes at the factory. But regardless of this provision, Cupper was ordered in July, 1900, to paint all the letter boxes at the factory in Reading, Pa., where they were being manufactured, for which he was paid \$16,227.50, a needless expenditure, since the manufacturer was required by the contract to paint them. There is no evidence that money was ever paid by the manufacturer for being relieved from this part of his contract, as Stern was required to do in the satchel contract.

In October of the same year Cupper was ordered to paint the package boxes at the factory in Cleveland, Ohio, where they were being made, which he did at an expense of \$2,048.

The only excuse that has ever been given by either Cupper or Machen for these unusual and extraordinary charges for the painting of boxes is that Cupper's paint is a patent paint—superior to any other for the painting of letter boxes. Cupper's patent, however, was not applied for until January 20, 1898, six months after the paint was adopted by Machen, and was manifestly an afterthought.

This alleged patent paint is simply commercial aluminum, and can be purchased anywhere in the open market. In several instances Cupper ordered aluminum shipped direct from dealers in New York to post-offices, though usually he had it shipped to him at Lockhaven, where he professed to treat it by some chemical process before he shipped it to postmasters.

H. P. Coffenberger, mechanic in the Baltimore post-office, states that Mr. Thomas Harrison furnished the aluminum with which he painted the letter boxes in the year 1901; that at another time he secured the aluminum from Cupper, and that Harrison told him there was practically no difference in the paint.

Samples of Cupper's aluminum, secured at different post-offices, were submitted for examination to the Department of Agriculture. The chemical analysis (Exhibit L-40) shows it to be ordinary aluminum. Ludwig Saarbach (Exhibit L-36), a chemist at No. 114 Pearl street, New York, pronounced it the same.

## 98. INVESTIGATION OF CERTAIN DIVISIONS OF POST-OFFICE DEPT.

## COMPARATIVE COST OF PAINT.

The record for the six years prior to the arrangement with Cupper for painting letter boxes is more or less defective. But on May 28, I sent a circular letter to about 500 different post-offices requesting detailed information as to cost of painting letter boxes for six years prior to June 30, 1896. The following table sets forth the results of this inquiry:

Fiscal year ended—	Number of boxes painted.	Cost of painting.	Average cost per box.
			<i>Cents.</i>
June 30, 1890.....	2,450	\$506.56	20.6
June 30, 1891.....	2,979	833.26	27.9
June 30, 1892.....	10,498	3,260.09	31
June 30, 1893.....	4,141	1,186.59	28.6
June 30, 1894.....	4,673	1,577.06	33.7
June 30, 1895.....	13,193	3,634.80	27.5
June 30, 1896.....	13,385	4,191.32	31.3
Total.....	51,319	15,189.68	29.5

The above estimate includes both letter and package boxes, so that the average cost for painting all boxes for the six years prior to the Cupper arrangement was about 29½ cents.

Since Machen's removal as general superintendent of free-delivery the old method of painting has been restored, aluminum bronze still being used as the standard paint. Postmasters have been required to ask local painters to submit bids for painting the letter boxes; and upon reporting to the Department the amount of the bids, they have been authorized to have the work done by the lowest responsible bidder. The following table sets forth the results:

Post-office.	Letter boxes.		Package boxes.		Posts.	
	Number.	Rate.	Number.	Rate.	Number.	Rate.
Alton, Ill.....	73	\$0.30	2	\$0.60	24	\$0.15
Ansonia, Conn.....	43	.45	4	1.00	16	.22
Astoria, Oreg.....	37	.45	7	.85		
Berwick, Pa.....	25	.40	10	.50	20	.10
Brockton, Mass.....	167	.37	15	.75	20	.15
Butler, Pa.....	33	.42			11	.15
Canton, Ohio.....	261	.14	25	.27	100	.07
Charleston, S. C.....	118	.50	24	.50	6	.25
Chester, Pa.....	101	.35	2	1.00	84	.08
Chicopee, Mass.....	32	.50	6	.75	32	.14
Concord, N. H.....	90	.50	11	1.00	63	.25
Danvers, Mass.....	26	.30			25	.09
Davenport, Iowa.....	136	.20	27	.50	30	.15
Detroit, Mich..... No. 1.	662	.18	170	.38	760	.07
Do..... No. 2.	172	.20				
Do..... No. 3.	35	.24				
Elgin, Ill.....	95	.38	4	.76	57	.19
Emporia, Kans.....	71	.45	5	.90		
Evansville, Ind.....	198	.20	11	.50	184	.044
Grand Rapids, Mich.....	246	.25	35	.50	188	.12
Joliet, Ill.....	159	.85	14	.75	65	.10
Madison, N. J.....			1	.85		
Milwaukee, Wis.....					20	.10
Moberly, Mo.....	33	.30	3	.60	23	.15
Oak Park, Ill.....	67	.42	4	.84	56	.21
Portland, Me.....			14	.50		
Quincy, Ill.....	157	.30	9	.60	51	.15
Rahway, N. J.....					3	.34
Red Wing, Minn.....	36	.30			28	.05
Springfield, Ohio.....	120	.41	12	.82		
Steubenville, Ohio.....	57	.42	1	.85	3	.21
Torrington, Conn.....	46	.50	1	1.00	8	.07
Watertown, N. Y.....	106	.26	1	.52	8	.13

	Cost.	Average.
3,402 letter boxes .....	\$976.84	\$0.2871
418 package boxes .....	213.41	.51
1,885 posts .....	186.85	.09

It will be observed that the above average is about the same as it was before the Machen-Cupper arrangement.

One of the most striking illustrations may be had by comparing the cost of the painting recently done at Detroit, Mich. On Cupper's schedule it would have cost \$794.50, while under the present method it cost \$279.96, a net saving of \$514.59 on one painting in that city.

During the time that Cupper was painting the boxes at extravagant prices, other painters solicited the business in their respective cities. Joseph Shepherd & Co., of Milwaukee, Wis., on January 26, 1900, asked that local painters be given the work, and in response was advised that John T. Cupper, of Lockhaven, Pa., had the contract for painting all letter boxes.

On February 21, Peter Zucker, an attorney of New York, wrote Machen asking that one of his clients be permitted to bid on the next contract for the painting of letter boxes in that city. On February 28 he was advised that Cupper had the contract for painting all the letter boxes in the United States. Numerous other inquiries were made, all receiving the same reply. There never was, however, any contract with Cupper other than a verbal agreement between him and Machen.

The foregoing statement of facts conclusively demonstrates that some other interest than the public service was being served in the painting of letter boxes. The real purpose was revealed by an examination of the accounts of Machen, Cupper, and W. C. Long, whose acquaintance was made when considering the contract for inking pads, carriers' straps, and satchels. Inspectors Sullivan and Simmons called upon Cupper in April of this year and interrogated him concerning his connection with Machen and the painting of letter boxes. He stated that he had a verbal contract with Machen. Upon being asked if he had any agent in Washington looking after his business, he replied (Exhibit L-29):

I had no representative, and no one in Washington, D. C., was interested with me in the letter-box painting.

He was then asked:

Was any money you received, or any money you should have received, for painting letter and package boxes and posts ever paid to anyone connected with the Post-Office Department or to anyone else who was instrumental, directly or indirectly, in aiding you or awarding you this contract \* \* \* or to anyone to be conveyed to any person or persons for purposes stated?

His answer was:

No, sir; there was no understanding with anyone. Such a thing was never mentioned.

When the inspectors, in the course of the investigation, discovered a record of more than \$8,400 passing from Cupper to Long from June 29, 1900, to December 30, 1902, and that a part of this money found its way into the pockets of Machen, they again, in June, visited Cupper and inquired as to his relations with Long. Cupper then



declined further interviews, but subsequently made a lengthy deposition in Washington, in which he stated that he first met Long casually at a restaurant when he was in Washington on business with the Department, and that he afterwards met him a few times at a cigar store on F street. Referring to these meetings, Cupper says:

I made a statement to Mr. Long after I had been up there four or five evenings. I approached him on the subject. I said to him, "I would like if you would intercede for me to get my contract." He said he was a contractor and well acquainted in the city. I said, "I will tell you what I will do. If you will get me this contract or help me to get it, I will give you 10 cents on a box, and if you will look after my interests here, if you get me the contract and look after my interests." He said he would do the best he could (Exhibit L-30).

In one statement Cupper denied that he had an agent of any kind or paid money directly or indirectly to anyone in Washington in connection with the painting of letter boxes. When he found that the inspectors had knowledge of his transactions with Long, he said that he had paid Long 10 cents per box on all that were painted.

Cupper has been paid about \$100,000 by the Department, which represents the painting of 200,000 letter boxes. Probably 40 per cent of this was net profit, to be divided among Machen, Long, and Cupper.

Many documents that might properly be submitted as exhibits in this case are in the hands of the district attorney, the Federal grand jury having on July 31, 1903, indicted Machen, Cupper, and Long for conspiracy to defraud (Exhibits L-31 and L-32).

#### CARRIERS' LEATHER CASES.

In 1900 Machen introduced into the Free-Delivery Service a leather case, presumably for the purpose of inclosing the registry books which carriers took with them on their routes. No advertisement for bids, however, was made for supplying this new article, and no contract was entered into by the Department with any dealer to furnish them. Machen seems to have taken the matter up personally with Maurice Runkle, of New York. The first record relating to this transaction is a letter from Runkle to Machen, dated July 14, 1900, in which Runkle says (Exhibit L):

I send you to-day by express the sample letter case. \* \* \* I would very much like you to call me up Monday after 12 o'clock \* \* \* or, if you see fit, write me and let me know whether you want me to come over to see you again, or whether you want me to put our own prices on these, but think it best for me to run over and have a talk with you; but let me hear from you by letter so I can get it Tuesday morning, or, if you wish, telephone me. \* \* \*

Machen evidently telephoned Runkle as suggested. The next communication that passed between them was another letter from Runkle to Machen, dated July 18, in which he says (Exhibit L):

As per my samples submitted, I propose to furnish you with 5,000 letter pouches at 90 cents per piece.

On this letter is a footnote in Machen's handwriting, as follows:

MacG order 5,000 for R. F. D.  
1,500 to be delivered as soon as possible.

A. W. M.

"MacG" was T. W. McGregor, supply clerk of the Rural Free-Delivery Service.

On July 24 Runkle was advised (Exhibit I):

Your proposition of the 18th instant, for furnishing the Department with 5,000 pouches at 90 cents each, has been received and is herewith accepted.

This was the beginning of the purchase of cases for carrier registration books, of which Runkle furnished 21,000. In order to give this transaction some shadow of regularity, Machen certified to the Auditor that these purchases were made as a matter of "exigency," there being a provision in the law by which purchases of an urgent nature could be made without contract. And the "exigency" that existed in July, 1900, continued for almost three years.

Runkle was not a leather manufacturer, but apparently a dealer in clothing, being the proprietor of the Bay State Clothing Company, of Long Island City. He secured the first order of 5,000 cases, or pouches as they were sometimes called, from Herman Scheuer, 435 Broome street, New York City, for which he paid 30 cents per case. The remaining 16,000 were made by the Nonpareil Manufacturing Company, of Newark, N. J., for 5,000 of which he paid 25 cents each and for the remaining 11,000 28 cents each. The following table sets forth in detail these transactions:

Year.	Number of pouches.	Paid manufacturer.	Received from Government.	Difference.
1900 .....	5,000	\$1,500.00	\$4,500.00	\$3,000.00
1901 .....	5,000	1,250.00	4,500.00	3,250.00
1902 .....	11,007	3,081.96	9,906.30	6,824.34
Total.....	21,007	5,831.96	18,906.30	13,074.34

These cases bought from Runkle were alleged to be for the Rural Free-Delivery Service. The last order for 5,000 was given September 24, 1902. At that time there were not to exceed 11,000 rural carriers in the service, yet Machen had then purchased over 21,000 cases for rural carriers without competitive bids or contract, because the "exigency" of the service required it. But that was not the end of this transaction with Runkle. On January 15, 1903, an "exigency" still existed, and he secretly gave Runkle an order for 8,000 more cases, and Runkle contracted with the Nonpareil Manufacturing Company for this additional order at 28½ cents each. Three thousand three hundred of these had been delivered to Runkle by the Nonpareil Company by April 15, when he countermanded the order (Exhibit L-42) by the following letter:

Kindly do not ship us any more pouches until you hear from me, and don't cut up any more leather until you hear from me, as this investigation in the Post-Office Department will have to stop before I can do anything further.

A further examination of the records indicates that the "exigency" was not so much to receive the cases as it was to pay for them. On September 8, 1902, Runkle rendered a bill for 4,000 cases. McGregor, the clerk in charge of free-delivery supplies, certified that they had been received, and Runkle was paid for the 4,000, while on that date he had only shipped 500, the remaining 3,500 not having been shipped until September 18. On September 30, 1902, another order for 5,000 cases was given to Runkle. The bill for these, amounting to \$4,500, was approved by McGregor, with the statement that they had been received, and on October 3 Runkle was paid. When the bill was cer-

tified to by McGregor and approved by Machen for these 5,000 pouches, only 633 had actually been received, and the full order of 5,000 was not completed until the middle of December, two and a half months later. The records for free-delivery supplies were so imperfectly kept that it is not possible to determine absolutely that more than 4,000 of the last consignment were ever actually received.

On May 26, 1903, the day preceding Machen's arrest, Runkle wrote Guild, of the Nonpareil Manufacturing Company, and requested that he call to see him in New York "on a matter of importance." James E. Baremore, representing the company, responded to this request, and Runkle asked him to change the company's records of shipments so as to correspond as to dates with the bills on file in the Department. In relation to this conversation Baremore (Exhibit L-44) says:

Runkle referred to the trouble on in the Post-Office Department on account of the investigation, and stated in substance that the Department in Washington had found out that his (Runkle's) bills did not correspond with shipments, as he had been sending in bill with first shipment for whole amount of order. Runkle handed him two memorandum slips, requesting in substance that records of the Nonpareil Manufacturing Company be fixed to agree with his memoranda, to show a single shipment for entire order.

Afterwards Runkle sent his bookkeeper to Newark to inquire of the firm if any post-office inspectors had been there; and, if so, what information had been given them. He was informed that inspectors had been there and that the company had not changed the record as requested by him, but had given the inspectors the facts. When Runkle heard this he complained very bitterly of such treatment by the company when he was about to get into trouble with the Post-Office Department. In regard to the remainder of the 8,000 cases ordered by Runkle, which had not been delivered, Baremore (Exhibit L-44) says:

Runkle stated in substance that the investigation would blow over, Machen would be vindicated, would probably hold same office, and when the investigation should be over the cases would go through all right and he (Runkle) would then take the rest.

No record was made in the Department of this additional order for 8,000 pouches. They were to be delivered by the Nonpareil Manufacturing Company to Runkle by June 15, evidently intended by Machen and Runkle for delivery after July 1, when the appropriation for the new fiscal year became available, at which time another "exigency" payment would have been made.

On March 11, 1903, the father of Theodore R. Guild, treasurer of the Nonpareil Manufacturing Company of Newark, N. J., wrote the Hon. R. W. Parker, Member of Congress from that district, asking that his son be given opportunity to bid direct on these leather cases. This letter was referred to Machen, who, two weeks after, wrote Mr. Parker that Guild's name had been "placed on the list."

In December, 1902, Mr. Charles F. Lighthouse, of Rochester, N. Y., undertook to get an opportunity to bid on these articles, but failed. Runkle was interrogated on May 19, 1903, in regard to this transaction, and stated that he had furnished only about 5,000 of these cases and that he manufactured them himself—both statements being absolutely false, as he had furnished then 21,000 and had an additional order for 8,000, all of which he had secured from different manufacturers.

Machen, in his statement (Exhibit L-2), admits that he ordered these cases from Runkle without competition; that they could have been

secured for less money from other sources, and states that he never received any part of the proceeds from the sale of these cases.

This leather case transaction is small when compared with the Groff fastener and the Copper paint, but it had been running but three years. Considering the rapid development of rural free delivery, this shameless "graft" would doubtless have grown to great proportions had Machen's official tenure lasted.

H. Conquest Clarke, superintendent of the Rural Free-Delivery, was never consulted by Machen as to the utility of this case and did not know that such an article was in use until he was advised by the inspectors after this investigation had begun. Neither was E. H. Hathaway, supervisor of Rural Free-Delivery, consulted as to their desirability. It was Machen's idea, and the motive appears in a financial transaction between Machen and Runkle, by which Runkle bought from Machen 175 shares of mining stock, for which he paid \$2,450. Runkle states (Exhibit L) that this stock was "not worth a d——." Selling valueless stock to a contractor is a convenient way of collecting a bribe. Runkle, in addition to buying this worthless stock from Machen, also paid McGregor, the clerk in charge of supplies, who certified as to the correctness of his shipments, certain amounts of money.

Other papers might be referred to in this discussion, but the data are now in the hands of the United States attorney, Machen, Runkle, and McGregor having been jointly indicted by the grand jury for the District of Columbia, on July 31, 1903, for conspiring to defraud (Exhibit L-46).

#### CHARLES E. SMITH CASES.

The cases bought from Runkle were for the Rural Free-Delivery Service. In 1901 it was thought wise to adopt this pouch for the city carrier service, but for some reason Machen did not desire to purchase them from Runkle.

C. Ellsworth Upton, an employee under McGregor in the Free-Delivery Division, who lived at Powhatan, Md., took up the matter of supplying these cases with C. E. Smith, dealer in leather goods in Baltimore. Upton submitted to him a sample, doubtless one of the Runkle cases, and Smith told him that he could furnish them for 50 or 60 cents per pouch. At the suggestion of Upton he finally raised the price to 75 cents, and mailed a proposal at that figure to Machen. Nothing was heard from this proposal. Upton again called upon Smith and told him he might as well have 90 cents as 75 cents. He also drafted a proposal and directed Smith to copy the same and forward it to Machen, which he did on March 23, 1901.

Smith's final proposition having been properly filed, Upton, being a politician of some local significance, undertook to secure him the "influence" necessary to have the proposition accepted. He secured letters from Congressmen Blakeney, Wachter, and Schirm recommending Smith for favorable consideration to the Department. None of these men knew Smith, and their indorsements of him were given upon Upton's representations to them. Smith takes no active part in politics, but votes the Democratic ticket.

This political influence that was sought was not necessary in order to influence Machen, but convenient to offer as an excuse should the

transaction ever be called in question; and on May 27, when Machen was interrogated as to his dealings with Smith, he stated that Senator McComas was interested in Smith's securing the contract, and that it was as a favor to the Senator that he bought the cases from Smith.

The record, however, does not show any communication from the Senator bearing upon the matter. The letters of Blakeney and Wachter were given to Upton, who placed them in Machen's hands. On each one is indorsed "See me, A. W. M.," in Machen's handwriting, plainly indicating that he was giving the matter his personal attention.

At Upton's suggestion, Smith wrote Machen, July 19, 1901, again soliciting an order for the pouches; and on the face of this letter, in Machen's handwriting, appears the indorsement: "I. S. L. See me. A. W. M." On July 18, 1902, an order was finally given for 5,000 of the pouches, at 90 cents each. The following table shows the orders given Smith:

Date of order.	Number of pouches.	Date of payment.	Amount.
July 18, 1902 .....	5,000	Oct. 1, 1902	\$4,500
August 19, 1902 .....	5,000	Oct. 30, 1902	4,500
October 6, 1902 .....	5,000	Dec. 4, 1902	4,500
November 1, 1902 .....	5,000	Jan. 6, 1903	4,500
Total .....			18,000

It will be observed from the above that these 20,000 cases were ordered within less than six months. They also were paid for as "exigency" supplies, though at that time city carriers had been handling registration books for over two years, and there was no demand for a receptacle in which to place them. When these cases were furnished to carriers they were rarely used. Out of 97 carriers in the Washington City post-office, 85 never have taken the pouches with them on their trips, stating that they were useless and inconvenient. Most of these cases furnished the Washington office were recently found in the carriers' desks, covered with dust, never having been used. Of the 226 carriers in the main office in Philadelphia, only 14 have ever pretended to use them. In the few offices where they are used, the carriers do so because they think it is a requirement of the Department. Few carriers have been found who consider this pouch a necessity, or even a convenience.

On July 18, 1902, the first order was given Smith, and prompt delivery was urged; and on September 17 a bill was rendered for 5,000 pouches, \$4,500, which was indorsed by McGregor, "Supplies furnished in accordance with this bill." On September 25 it was approved by Machen, and on October 1 a warrant issued for \$4,500, though at that time but 2,783 of the 5,000 had been received. And the same process of falsification that characterized the Runkle transactions was pursued by McGregor in every other order given Smith, as indicated by the following table:

Date of bill.	Number of pouches delivered.	Shortage.
September 17, 1902 .....	1,055	3,945
October 27, 1902 .....	2,080	2,920
November 24, 1902 .....	2,188	2,817
December 12, 1902 .....	1,213	3,787

The necessity for these pouches was purely a fiction. Large numbers of them still remain in bins in the Busch Building, never having been distributed. And those that have been sent to post-offices throughout the country remain very largely in carriers' desks unused.

The purpose of the purchase of this case for city delivery is explained by the anxiety on the part of McGregor and Upton to secure the warrants for payment of Smith's bills. The regular practice in the Department is to mail warrants to the address of the payee. In the regular course of business, therefore, Smith's warrant for these pouches would have been sent him by mail to his address in Baltimore. But instead of permitting the warrants to go direct to Smith, McGregor called at the office of the "administrative auditor" for the Free-Delivery Service, who had charge of issuing these warrants, and asked that Smith's warrant be given to him, which was done. After securing each warrant, McGregor and Upton went to Baltimore and delivered it to Smith at his store and waited there while he went to the bank, deposited the warrant, and drew a check for \$2,000, payable to himself, which he cashed, securing currency in the denominations indicated by McGregor. Smith then brought the money back to his store and paid it to McGregor. This process was repeated four times. Upton told Smith (Exhibit L) that he and McGregor received \$500 out of each warrant and Machen \$1,000.

The dates of the checks and payments are as follows:

Date of \$4,500 warrants:

October 1, 1902.  
October 30, 1902.  
December 4, 1902.  
January 6, 1903.

Date of \$2,000 Smith checks:

October 2, 1902.  
October 31, 1902.  
December 6, 1902.  
January 10, 1903.

After this investigation had started Upton called upon Smith and told him that if any inspectors should visit him he must be very cautious as to what he said. When the inspectors first called on Smith, April 10, he was very reticent, talked vaguely, and refused to sign any statements; but on June 2, when again interviewed, he revealed to them the whole story. Smith bought all the 20,000 cases from the Warren Leather Goods Company, of Worcester, Mass. He paid 35½ cents each for the first 10,000 and 30 cents each for the second 10,000; total, \$6,550. He received from the Department \$18,000, making \$11,450 paid by Machen in excess of the market price. This \$11,450, according to Upton's statement to Smith (Exhibit L), was divided as follows:

Machen .....	\$4,000
McGregor .....	2,000
Upton .....	2,000
Smith .....	3,450

The Warren Leather Goods Company finally discovered the ultimate destination of these pouches, and wrote their Washington agents, Messrs. Topham & Bogley, asking them to endeavor to get a part of this business. Topham & Bogley immediately inquired of Machen and McGregor in regard to these supplies, but were put off by dilatory excuses until Smith complained to the Worcester firm of their attempted

interference with his business, and as a result the Washington representatives were called off.

Upton and McGregor were indicted in Baltimore on June 25, 1903, for conspiracy to defraud (Exhibit L-47).

Thomas W. McGregor was appointed to the postal service in 1891, at the age of 16, as a page, at \$360 per annum, and assigned to the Free-Delivery Division. Two years later he became an assistant messenger, and was holding that position when Machen was made superintendent. Since then he has been promoted, until upon the date of his removal he was drawing a salary of \$1,600 per annum. He was the confidential agent of Machen in a number of his corrupt transactions. On June 5, 1903, he was removed from office by the Postmaster-General.

Upton was first appointed to the Free Delivery Service May 12, 1900, as a "carrier" at \$2.50 per day, afterwards \$2.75, with expenses. He was for a while allowed car fare and horse hire, and later board and lodging when away from home.

Through various shifts in the records, which are more or less obscure, he became a clerk in the Rural Free Delivery Service at \$1,000 per annum, and later, upon the recommendation of Machen, was promoted to \$1,200, then to \$1,400 per annum. He was an indolent clerk, and seems to have been favored by Machen for other reasons than clerical efficiency.

The gross amount paid for these cases to Runkle and Smith was \$36,906.30, which represents a net loss to the Department, because they were useless. This \$36,906.30 of public money was therefore wasted, that Machen, McGregor, and Upton might steal about 40 per cent of that amount.

Many other schemes of Machen involved the expenditure of more money, but none was more shameless.

#### STREET LETTER BOXES.

One of the most important contracts for free delivery supplies is that for street letter boxes. These contracts are let periodically every four years.

It has been the practice for the Postmaster-General before the award is made to appoint a committee to pass upon the merits of the various boxes submitted and recommend one for adoption. The committee in 1893 consisted of H. Clay Evans, First Assistant Postmaster-General; William J. Pollock, superintendent free-delivery, and George F. Stone, chief clerk to the Second Assistant Postmaster-General. Thirty-six proposals were submitted. The box then in use, known as the "Doremus" box, was recommended, and the contract awarded to Maybury & Ellis, of Detroit, Mich., who controlled the patent. There were three sizes, No. 1, containing 750 cubic inches; No. 2, containing 1,180 cubic inches, and No. 3, containing 2,360 cubic inches. The prices were \$2.60, \$3.25, and \$7.25, respectively, being a slight reduction as compared with the prices under the contract then expiring.

Machen became superintendent of Free-Delivery in September, 1893, over six months after this contract was executed. Maybury states that during the first year of the contract, apparently not many months after Machen's appointment, Eugene D. Scheble, a dentist of Toledo, Ohio, called on him and interested him in a patent he had acquired for a new letter box. After considering the matter at some length, Maybury

agreed to give Scheble a 25 per cent interest in the profits of the contract which he then held. Maybury, when asked why he gave Scheble an interest in this contract which he had already secured, stated that he thought there was merit in Scheble's box, and that it might, in the future, become a troublesome competitor. He seems to have been very much alarmed, considering the fact that his contract then had about three years to run and there was no opportunity for Scheble's box to become a competitor before the expiration of that time. As nearly as can be determined, Scheble's interests became effective from the beginning of the contract, being retroactive. The total number of boxes furnished under this contract was 27,346, at a cost of \$86,051.70. Of these, 2,740 were furnished during the first year, costing \$8,189.40, while during the last three years, after Scheble acquired his 25 per cent interest, 24,606 were furnished, costing \$77,862.30. Of the \$86,051.70 paid for street letter boxes during the four years of the contract, Scheble received 25 per cent of the profits. The exact profit on each box could not be ascertained, but from the information available it is estimated at \$1.25. On the 27,346 furnished during the four years of the contract the profits to the contractors would therefore amount to \$34,182.50, of which Scheble received one-fourth, or about \$8,500.

It is not reasonable to suppose that a man of affairs like Maybury, who had at that time served two terms in Congress and is at present mayor of the city of Detroit, should voluntarily deliver to a stranger from Toledo, Ohio, one-fourth of his profits in so valuable a contract because he feared that two or three years hence that man might become a dangerous competitor for another contract.

During the first year—that is, before Scheble had intruded himself into the contract—there were 2,740 boxes ordered, for which the Department paid \$8,189.40, Maybury's profits, at \$1.25 per box, amounting to \$3,425, while during the second year, after Scheble became interested, 16,400 boxes were ordered, at a cost of \$52,526.25. The total profits of the second year's business were \$20,500, of which Maybury received three-fourths, or \$15,375, and Scheble one-fourth, or \$5,125. If the whole truth were revealed it would doubtless show that this increase in the orders for boxes was the argument used to induce Maybury to deliver to Scheble a fourth interest in this valuable contract. If this is so, it surely proved a good investment.

If Maybury's real purpose in giving a fourth interest to Scheble was to provide against a dangerous competitor for the future, he misjudged the man. In 1897, when the letting of another contract was due, Postmaster-General Wilson appointed a committee, consisting of Thomas B. Marche, chief clerk in the Free-Delivery Division; A. B. Hurt, a subordinate of Machen's, employed in the Free-Delivery Service, and Bernard Goode, chief clerk of the Dead Letter Office. There is nothing alleged against the integrity of any of the members of this committee, but it was easily dominated by Machen, a majority being composed of subordinate clerks in his office.

Numerous proposals were submitted. Maybury presented his old box, the Doremus, and also the box in which he and Scheble had a joint interest. The committee selected the Scheble box, discarding the Doremus, which had been used for eight years. The contract, however, was awarded in the name of Maybury & Ellis. The prices were: No. 1, \$2.60; No. 2, \$3.25, and No. 3, \$5.25, the same as in the former contract, except as to No. 3.



The Scheble box having been selected, Maybury was required to give Scheble one-half the profits under the new contract. The box was somewhat different in construction from the old one. In opening it to deposit letters the lid was lifted up, while the lid of the Doremus box was pulled down. This new box, however, did not prove satisfactory; and on April 7, 1899, after it had been in use something over a year, Machen wrote Maybury, stating:

I desire to have you come to Washington within the next week or ten days, if you can conveniently do so, to arrange for a change of design in the boxes now supplied by your company.

On May 3, a letter initialed by Machen and signed by George M. Allen, Acting First Assistant Postmaster-General, requested Maybury & Ellis on all further orders to furnish the old Doremus box instead of the new box. On May 5 Maybury replied, stating that the request would be complied with; and from that date the Doremus box was furnished. Maybury still continued, however, to pay Scheble 50 per cent of the profits of the contract; presumably upon the theory that this discarded box might, in the future, become a dangerous competitor when he was seeking another contract.

This Scheble box presents an interesting enigma. It made such an impression upon Maybury that he gave Scheble 25 per cent of the profits of a contract entered into before he had ever seen Scheble, and before Machen became Superintendent of the Free-Delivery Service. This he states was done to provide against it becoming a competitor for the next contract. It became a competitor, however, at the next letting; was selected by the committee, and because of such selection Maybury was required to increase Scheble's interests in the profits of the contract from 25 to 50 per cent. After less than two years' trial the box was declared unsatisfactory and the old box substituted for it. It would appear that Scheble's claim was then exhausted. But not so; Maybury still continued to give him 50 per cent of the profits. The enigma is explained by Inspectors Williams and Farrell, who, in the investigation of this case, discovered that Scheble remitted diligently one-half of his profits to Machen, superintendent of Free-Delivery. Numerous bank drafts and other evidence were secured by them and presented to the grand jury for the District of Columbia. To illustrate:

February 5, 1901, Scheble received \$608 from Maybury, and a few days thereafter he remitted \$304 to Machen. In May, 1901, Scheble received from Maybury \$269.62, and shortly thereafter he remitted \$134.75 to Machen. Many other similar remittances were made. About \$10,000 of the money paid Maybury & Ellis by the Department under the 1897 contract has been traced into the hands of Machen, through Scheble.

There is no evidence that Maybury had specific knowledge as to the arrangement between Scheble and Machen; but that he believed Scheble was powerful enough with Machen to destroy the value of his 1893-1897 contract, and to take away from him the contract of 1897-1901, is evident. Otherwise he never would have voluntarily given him the large amount of money that he did.

An interesting incident occurred during the letting of the 1897 contract. One Solomon C. Wynn submitted two proposals, one for an iron box, similar material to the Doremus box, and the other for a sheet-steel box. The rates offered by Wynn for the cast-iron box were

\$1.75, \$2.25, and \$2.75, as against \$2.60, \$3.25, and \$5.25 for the accepted box of like material, showing a reduction of 85 cents, \$1, and \$2.50 each on the various sized boxes. Wynn therefore became an embarrassing competitor. But Machen was equal to the occasion. He submitted to Postmaster-General Wilson a protest against the award being given to Wynn, stating that he had a cousin, Arnold J. J. Machen, of Toledo, Ohio, who was interested with Wynn in this box, and that he did not think it proper for the contract to be awarded to a firm in which a relative of the Superintendent of Free-Delivery was financially interested. The Postmaster-General evidently was impressed by the unselfish devotion of Machen to the public interests, for Wynn's bid failed of recognition and Scheble's box was adopted as recommended by the committee, though in so doing the cost of the letter boxes during the contract period was increased \$51,553.80, of which a large part has since been traced into Machen's pockets through Scheble.

During the 1897 contract there was purchased a total of 49,309 boxes, at an aggregate cost of \$149,656.55. This contract was a very profitable one. On December 11, 1900, Maybury wrote Charles S. Prizer (Exhibit L-49):

We divided up over \$20,000 in royalties the last six months. If we can get in on the rural delivery plan we will sell a great many boxes the coming year.

The inspectors have positive evidence, in the nature of bank drafts, that \$53,046.25 in net profits was received by Maybury during the four years of the contract. Of this Scheble received about \$26,500, Machen's half being about \$13,250, or over \$3,300 per annum.

This contract, as executed, provided that—

Said boxes to be lettered, painted, and crated, and all necessary bands for fastening the boxes to posts to accompany the same, except when boxes are ordered with the "Groff patent fastener" attachment, in which case the fasteners will be sent to the manufacturers and they will attach them to the boxes without additional expense.

This left the matter of furnishing these bands optional with the Department. Contractors had to figure upon providing them, however, because, under the terms of their contract, if the Department elected they should provide them, they would be required to do so. The cost of these bands is estimated at about 25 cents per set. The contractors were not required to furnish the band, because Machen was then attaching boxes with Groff fasteners, as heretofore explained. Scheble was probably the only bidder who knew that these bands would not be required.

In 1901, when the contract was to be relet, the Postmaster-General, after consulting with Machen, appointed the following committee to make the award: Thomas W. McGregor, chairman; J. E. Waite, James E. Bell, Thomas B. Graham, L. S. Elmer. McGregor was a clerk in Machen's office, in charge of supplies—the same McGregor who was indicted with Machen and Runkle for fraud in connection with pouches, and also with Upton for fraud in connection with the purchases from Smith, of Baltimore. The other members of the committee were doubtless well-meaning men; but, all being subordinate officials, would defer largely to the judgment of Machen and McGregor. Maybury & Ellis again submitted the Doremus box, which had now been in use for twelve years, except for the brief period it had been displaced by the Scheble box. The same progressive tendencies that were displayed by Machen and Lorenz in the satchel "graft" were repeated by Machen and Scheble in the box con-

tract. In 1901 Scheble again presented a new box for the consideration of the committee. McGregor's report discredited the old Doremus box, saying that 14 per cent of them were broken in shipment; a statement demonstrated (Exhibit L) to be false. It suggested that sheet steel be used to provide against this alleged excessive breakage, and the committee, for this reason and the alleged insecurity of the Doremus box, recommended that the sheet-steel box submitted by the Michigan Steel Box Company be accepted. This company is a fiction; it has no plant, not even an office. A desk in Scheble's dental office in Toledo is all there is to it. The bids of Maybury & Ellis on the Doremus box and the Michigan Steel Box Company, or Scheble, on his sheet-steel box, are as follows:

	No. 1.	No. 2.	No. 3.
Maybury & Ellis (cast iron).....	\$2.70	\$3.00	\$4.50
Eugene D. Scheble (sheet steel).....	2.90	3.75	4.25

Scheble's bid on the small sizes, of which the larger numbers are used, was higher, yet the contract was awarded to Scheble because his box was made of sheet steel. "Sheet steel" was made the basis for rejecting the Doremus box and the Maybury & Ellis bids. This was not the first time, however, that sheet steel had been suggested in the construction of letter boxes. In 1897, Wynn, heretofore referred to, submitted a sheet-steel box similar to the one which Scheble now presented. The following is a comparison of the bids at that time:

	No. 1.	No. 2.	No. 3.
Wynn (sheet steel).....	\$2.25	\$2.65	\$3.00
Maybury & Ellis (cast iron).....	2.60	3.25	5.25

It will be observed that at this letting the cast-iron box was selected in preference to sheet steel at a much higher price. The cast-iron Doremus box had then been in use eight years. If it was subject to excessive breakage, as stated by McGregor, it was well known at that time, and an opportunity was offered to test the utility of sheet steel for boxes at greatly reduced prices; but it was given no consideration, being rejected at Machen's special and personal demand.

In 1901 Scheble presented a sheet-steel box and he was given the contract. The following table shows the difference in the prices of sheet-steel boxes offered by Wynn in 1897 and rejected and those offered by Scheble in 1901 and accepted:

	No. 1.	No. 2.	No. 3.
Eugene D. Scheble.....	\$2.90	\$3.75	\$4.25
Wynn proposal.....	2.25	2.65	3.00
Difference.....	.65	1.10	1.25

So it appears that in 1897, when Scheble and Machen were interested with Maybury & Ellis, cast iron was preferred to sheet steel, but when Machen and Scheble became interested in sheet steel it became the desirable box.

Maybury evidently had hopes of securing the contract again in 1901. On February 27 he wrote to Prizer, who had manufactured for him the Doremus box, and who was, therefore, interested in Maybury's retaining the contract, advising him to go to Washington to be present at the letting. In this letter he said:

You will meet in Washington also a Doctor Scheble. It is enough for me to say that he is very influential in the matter, and whatever he says will be authoritative. I am very sorry I can not be on the ground, but I believe our friends there will have no trouble in securing the contract.

This letter indicates that Maybury was depending on Scheble to secure the contract again. Maybury was so confident of success that he was negotiating a contract for making the boxes. But he was mistaken. Scheble, who, in 1894, either by skill or coercion had secured from him one-fourth interest in his contract, and in 1897 half of it, now took it all. When Maybury learned that he had lost the contract, he became somewhat hostile toward his former friends, and wrote Prizer:

I think there has been both bad faith and treachery in the whole procedure.

And on June 26 he again wrote:

My friend McGee, in Washington, is a nice little fellow, but not fit to cope with the parties he had to deal with.

But for some reason Scheble and Machen did not think it wise to exclude Maybury entirely, so they voluntarily gave a sixth interest for himself and friends.

After securing this contract, Scheble employed the Adrian Brick and Tile Machine Company, of Adrian, Mich., to manufacture the boxes. The following table gives the prices paid the manufacturer and the profits to Scheble:

Boxes.	Price paid manufac- turer.	Price paid by Depart- ment.	Profits to Machen and Scheble.
No. 1.....	\$1.60	\$2.90	\$1.80
No. 2.....	1.95	3.75	1.80
No. 3.....	2.60	4.25	1.65
No. 4.....	4.20	6.25	2.05

Machen and Scheble now being in complete control of the box business, liberal supplies were ordered. The contract became effective on July 1, 1901, but the manufacture of boxes did not begin until about December 1, and from that time until the date of Machen's suspension, covering a period of not more than one year and six months, 27,718 boxes were ordered, at a cost of \$90,257.75. Of this, \$63,465.50 had actually been paid. On the 27,718 boxes ordered there would be a net profit of at least \$40,630.

Street letter boxes were not, however, confined to city use, but were strewn along the public highways on rural routes. During the past four years 27,000 street letter boxes have been so distributed, for no other purpose than to use more boxes. They are unnecessary, since every farmer's letter box serves the purpose of both a deposit and a collection box. Machen had ample notice that these boxes were not used and were wholly unnecessary. Postmasters frequently wrote the Department to that effect.

The postmaster at Bangor, Wis., on November 18, 1902, reported—that Government box at Adams Valley schoolhouse is of no use, as the carrier hasn't found any mail in the box for months.

At Conrad, Iowa, January 27, 1903:

In regard to the United States letter boxes in use on our routes, I wish to ask for their discontinuance, as the carriers say they do not average over two or three letters out of them per month.

At Fort Wayne, Ind., January 23, 1903:

The carrier does not take from those boxes an average of one letter a month.

The postmaster at Lakeview, Iowa, July 15, 1903, reports that from a certain box but one letter has been collected since December 1, 1902.

At Birmingham, Mich., March 6, 1903, he reported:

The carrier does not get a letter out of it once a month.

At Cherry Valley, Ill., March 31, 1903, he asked permission to discontinue rural collection boxes, stating:

Carriers report that not one letter is taken from same in three months on the average.

The postmaster at Cameron, Mo., on July 18, 1903, informed the Department:

About a year ago I received three large size iron collection boxes which I supposed were for use on our rural routes, though I made no requisition for them.

These are but samples of many similar letters received.

A special agent of the rural service on June 11, 1903, reported:

I recommend the discontinuance of 25 United States collection boxes within the limits of Mower County, Minn. \* \* \* Very few of them have been of any use whatever. The carriers inform me that they have opened them daily for weeks, and in some instances for months, at a time without finding a single letter in them. \* \* \* I know of no place within the county where even one collection box will be of any use.

Another special agent, June 26, 1903, forwarded the names of a large number of postmasters in Michigan and recommended that they be instructed to remove all United States collection boxes from their routes and store them, or dispose of them, as may be desired by the Post-Office Department. I make this recommendation for the reason that I have talked with all the postmasters and carriers in this county, and they inform me that they do not collect on an average of one letter a week from United States collection boxes.

Yet in the face of such conditions, upon Machen's order during the last four years about \$70,000 has been expended for collection boxes upon rural routes.

The record of boxes kept by McGregor, under Machen, is contradictory as to the number of boxes chargeable to the rural service. There must have been shifts between the city and rural service appropriations. The number runs from 23,818 to 26,922. The latter appears to be the number actually assigned to the rural service.

Much of the evidence in this case has been presented to the grand jury for the District of Columbia, Machen and Scheble having been indicted by the grand jury September 8, 1903, charged with conspiracy and fraud (Exhibits L-56 and L-57). Scheble was arrested at Toledo and is now under \$10,000 bail to answer said indictment. And Machen, who had previously been indicted on numerous charges, was required to give additional bond of \$10,000 because of these new indictments.

## PACKAGE BOXES.

The large boxes that are seen on the streets, fastened to the letter-box posts or other supports, are styled package boxes. They are for the accommodation of those who desire to send by mail packages that are too large to be placed in the ordinary letter box, and were first contracted for in 1893. These boxes are made of rolled steel and contain 8,500 cubic inches. It seems originally to have been intended to suspend them from the posts, but on account of their size it was found advisable to set them upon the sidewalk or street at the base of the post, or, where that is not practicable, to place them upon blocks.

The first contract for package boxes was awarded in 1893, nominally to William H. Spencer, but Isaac McGiehan was in fact the contractor, Spencer being a "dummy." In 1897 the award was made to McGiehan in the name of the Columbian Manufacturing Company, of New York, and in 1901 he again got the contract, but this time in the name of the Columbia Supply Company.

McGiehan is not a manufacturer, but a New York lawyer with an inventive turn. The Van Dorn Iron Works, of Cleveland, Ohio, have manufactured the package boxes for him since they were first introduced into the postal service.

While McGiehan has held the contract for ten years, he has not always been free from competitors. In 1897 Solomon C. Wynn, whose bid on letter boxes, it will be remembered, was thrown out on the pretext that a cousin of Machen's was interested with him, also bid on package boxes, to be made of the same material as those furnished by McGiehan. Wynn proposed to supply them for \$3.50 per box. Other bids also were submitted as follows:

B. F. Smith, general agent, Washington, D. C. ....	\$4.00
The M. Donovan Wire and Iron Works, Toledo, Ohio. ....	6.00
Geo. H. Thompson, Hollidaysburg, Pa. ....	{ 6.00
C. O. Locas & Co., Greenville, Ohio. ....	{ 7.00
Frank H. McMonigal, St. Paul, Minn. ....	7.25
	8.00

The committee, however, awarded the contract to McGiehan at \$10.80, alleging that his box was believed to be the most convenient and durable. This was the same committee that recommended the Scheble letter box, which was afterwards discarded.

When McGiehan was first interviewed by the inspectors he told a plausible story about how he came to secure the original contract, and stated that he had never paid anything to any official of the Post-Office Department, directly or indirectly, in connection with his contract for these boxes. In examining Machen's bank account, however, the inspectors discovered that he had been depositing checks from George H. Huntington, a clerk in McGiehan's office, and treasurer of the company that was supplying package boxes. The inspectors again interviewed McGiehan and asked him about these checks. He then said that some time during the year 1894 Machen visited him in New York and introduced George E. Lorenz, stating that Lorenz had a suggestion as to package boxes that would be of interest to the Department. Lorenz's suggestion was that standards or legs should be attached to the boxes. McGiehan said that the suggestion impressed him favorably and he accepted it, agreeing to reward Lorenz by paying him a "royalty" of 50 cents per box. The legs cost perhaps 25 cents a set,

thereby increasing the cost of boxes to McGiehan, including Lorenz's "royalty," 75 cents each. As a result of this agreement between McGiehan and Lorenz, Machen had the contract revised and the price of the boxes increased from \$9 to \$10.25, or \$1.25 per box. McGiehan probably would have gladly accepted other suggestions from Lorenz upon the same terms.

In explanation of the payments of money direct to Machen, McGiehan stated that Lorenz at one time was absent in Europe, and had asked that the amounts due him for "royalty" on box sales be paid to his friend Machen during his absence, and that these checks to Machen represented "royalties" due Lorenz during that period. The manner in which this "royalty" was remitted, however, is interesting.

It was not paid by the checks of the company, as were other bills, but by the personal checks of McGiehan's clerk, Huntington. Huntington drew checks on the company's account, payable to himself, which he deposited in a private account at a different bank from that in which the funds of the company were kept, and from this private account Huntington made these remittances to Machen. Huntington says that he had no interest in this money and that these payments were made in this way by the direction of McGiehan. They cover a period of one year and four months, as follows:

Date of deposit.	Amount.	Date of deposit.	Amount.
December 2, 1899 .....	\$500.00	March 2, 1901 .....	\$350.00
April 3, 1900 .....	200.00	April 1, 1901 .....	225.50
September 11, 1900 .....	100.00		
December 20, 1900 .....	250.00	Total .....	1,875.50
February 12, 1901 .....	250.00		

It is not difficult to demonstrate that McGiehan made false statements as to the purpose for which this money was paid Machen.

An interesting incident bearing upon the payment of the Lorenz "royalty" grew out of the letting of the contract for letter boxes in 1901. McGiehan was a bidder for that contract. Scheble secured the contract, however, as heretofore related, and McGiehan was very much disappointed, and charged Machen with the responsibility for his failure. As a result, he says he refused to pay the "royalty" any longer, and from that time there have been no checks from Huntington to Machen discovered.

The ordering of package boxes was characterized by the same wasteful extravagance as that of letter boxes. In 1901, the last year that the Lorenz "royalty" was paid, 8,381 boxes had been purchased, 1,869 of which—or 29 per cent—were stored away unused.

I have been unable to determine the exact amount that McGiehan has paid to Lorenz and Machen, but \$163,000 was expended for package boxes while Machen was superintendent of the Free-Delivery Service; and it can be safely stated that the service could have been abundantly supplied with much less expenditure.

McGiehan, Huntington, and Machen were, on September 8, 1903, indicted by the Federal grand jury of the District of Columbia for conspiracy and fraud (Exhibits L-66, L-67, L-68, and L-69).

#### THE MONTAGUE INDICATOR.

The Montague Indicator is a device intended to be attached to street letter boxes, showing the hours of collection. On August 11, 1899, a

company known as The Montague Indicator and Letter Box Company was organized at San Francisco, with W. W. Montague, D. S. Richardson, and E. M. Hoagland as incorporators. Montague is the postmaster at San Francisco, Cal., and Richardson is a cashier in that office.

The company issued capital stock to the amount of \$100,000, consisting of 20,000 shares, at \$5 per share. Richardson was the real promoter; and immediately after the organization of the company an effort was made to secure the adoption of the device by the Post-Office Department. Correspondence was had with First Assistant Postmaster-General Heath, and on October 26, 1899, a committee consisting of Daniel S. Richardson and James W. Erwin was appointed by the board of directors to visit Washington and present the merits of the device to departmental officers. Richardson was at that time superintendent of stations of the San Francisco post-office. He was first appointed to the service in 1879 as a clerk, and has been employed continuously in various positions in that office since that time. Erwin was a post-office inspector, having been appointed to that position in 1887, from Atlanta, Ga., by William F. Vilas, Postmaster-General. While appointed from Atlanta, he had lived there but two years, having formerly been employed in the newspaper business at Toledo, Ohio.

The committee, as directed by the board of directors, visited Washington in November, 1899, and conferred with First Assistant Postmaster-General Heath and Superintendent Machen in regard to the adoption of their device. Erwin was acquainted with Heath and Machen, but Richardson did not know anybody in the Department except George W. Beavers, Superintendent of the Salary and Allowance Division. The prospect at first was not very promising, and Richardson consulted Beavers as to the best methods he should pursue to insure success. Beavers told him (Exhibit L-60) that he ought to distribute stock among the officials who were to pass upon the merits of the device. The suggestion seems to have startled Richardson at first, but, coming from a man of Beavers's standing in the service, he concluded to follow it. He therefore tendered 1,000 shares of stock to Machen, who accepted it without hesitation, requesting that it be issued in the name of H. G. Seger. Beavers himself was presented with 2,000 shares, 1,000 shares for himself and 1,000 reported to have been for First Assistant Postmaster-General Heath, this 2,000 shares being issued in the name of Richardson.

After this gratuitous distribution of stock to Beavers and Machen the affairs of the company assumed a more favorable aspect, and in a short time they received assurance that an order for 2,089 of these indicators, at \$4 each, would be given for the purpose of equipping the letter boxes in the State of California. The committee then returned to San Francisco, and on December 11 submitted an elaborate report to the board of directors, congratulating them upon the success of their trip. Immediately after the return of Richardson and Erwin the company was reorganized under the name of the Postal Device and Improvement Company. All postal officials were eliminated as officers, and Earl H. Webb was made president of the reorganized company. The capital stock was increased to \$200,000, or 40,000 shares, valued at \$5 each. Richardson, however, still continued the active manager of the company.

On December 21, 1899, soon after the reorganization of the com-



pany, Earl H. Webb, the new president, notified First Assistant Postmaster-General Heath that the order for 2,089 indicators, at \$4 each, would be given immediate attention. On January 26, 1900, in a letter initialed by Machen, the First Assistant Postmaster-General acknowledged Webb's letter of December 21 as follows:

I have your communication of the 21st ultimo, agreeing to equip the letter boxes in the State of California with your indicator at a cost of \$4 per box. You will please furnish 7,000 of these devices at the above price, the same to be delivered on July 1 and thereafter.

This order for 7,000 devices came as a happy surprise to the stockholders, as they were hardly expecting such liberality on the part of the Department. It became necessary for Richardson to make another trip East for the purpose of closing a contract with the Reading Stove Works, of Reading, Pa., for the manufacture of the device.

Erwin kept Machen advised as to Richardson's movements and the progress they were making in the promotion of their enterprise. On February 19, 1900, he wrote Machen as follows:

Richardson will start East to conclude a contract with the Reading Stove Works for the manufacture of our device. He should be in Philadelphia about March 1 or 2, and will put himself into communication with you from that place either by telephone or letter. \* \* \* Perhaps you may find it convenient to run over to Philadelphia to meet him there with a view to a better understanding as to details.

It will be observed that Erwin, in writing to Machen, refers to the indicator as "our device." Machen did not visit Richardson at Philadelphia, as suggested, but they had a conference in Washington, and Richardson closed the contract with the Reading Stove Works for the manufacture of "our device" at \$2.29 each.

Richardson reported in detail to Machen the cost of manufacturing the device, and urged an increase in the price to be paid by the Department, stating that to allow the company a satisfactory profit the indicator should bring \$4, \$4.50, and \$5, the price being regulated by the size of the box to which it was attached.

In the meantime, at Machen's suggestion, it was decided that Erwin should be transferred from the inspectors' division to the position of assistant superintendent of the Free-Delivery Service, and thereby become one of Machen's immediate subordinates. Under the pretense that it was necessary for Erwin to visit the Department and become familiar with the duties of his new position, before the appointment became effective, Machen had him called to Washington in the early part of June, 1900. From the extensive memorandum which Richardson gave Erwin of things which he should attend to for the company (Exhibit L) it would seem that his real object was to serve the Postal Device and Improvement Company instead of the Department. It appears that at about this time an agreement was made, either between Machen and Richardson, or Machen and Erwin, that the price paid for the devices should be increased as requested by Richardson. The Department was to pay for those attached to box size No. 1, \$4; No. 2, \$4.25; No. 3, \$4.50. One of the things that Richardson especially charged Erwin to do was to see that no orders were given for the equipment of No. 1 boxes; and this he seems faithfully to have carried out, for on June 12, 1900, a letter to the company, initialed by Machen and signed by the First Assistant Postmaster-General, reads as follows:

I have this day instructed Messrs. Orr, Painter & Company, of Reading, Pa., to equip 900 medium and 100 large-size letter boxes with your time-indicator device,

and to ship the same as soon as possible to the postmaster at San Francisco, Cal., this device to cost \$4 for the small, \$4.25 for the medium, and \$4.50 for the large size, as heretofore agreed upon.

On the same day this letter was written an order was given to the Reading Stove Works to manufacture and equip with the Montague indicator 1,000 boxes, 900 of size No. 2 and 100 of size No. 3. All of these devices were paid for at the rate of \$4.25 and \$4.50 each.

Erwin seems to have been very much elated over his success in securing this advance in the price, and telegraphed the result of his efforts to Richardson, who, on June 14, 1900, acknowledged the telegram as follows:

Your telegram relative to the box order received. Good. Am awaiting further details. When do you expect to go to Reading?

So it appears that Erwin, who had been called to the Department upon the pretense of official business, was really devoting his time to the interests of the Postal Device and Improvement Company and using his influence to secure an advance in the price of the device which it was selling to the Government, and in which he and his immediate chief had a financial interest.

After Erwin became assistant superintendent of free delivery he was assigned to the Pacific coast and had general supervision of the free-delivery service in that territory. In that capacity he could be useful in promoting the interests of the Postal Device and Improvement Company, and he did not overlook the opportunity. On May 6, 1902, in a letter to the superintendent of city delivery, he officially recommended the equipment of the letter boxes of Sacramento with the Montague device, which was done. The postmaster was required to employ a mechanic to attach the indicators to the 110 boxes in that city at an expense of \$159.65, or about \$1.50 per box.

In the year 1900, 7,100 of these devices were purchased at a net cost to the Government of \$30,075, which was largely increased by expenses of freight, drayage, and attaching to boxes. The original cost of the 1,000 indicators shipped to San Francisco that year was \$4,275; removing and erecting boxes, \$535.50, making the actual cost to the Government \$4,810.50, or \$4.81 per box. They supplement the small celluloid time card on the face of the box, which costs less than 10 cents. To this should be added a part of the freight charge upon the shipment of the 1,000 boxes and 1,000 devices attached, which alone amounted to \$1,811.76, or \$1.81 for each box and device.

An excessive number of boxes were shipped to the Pacific coast for the purpose of supplying a demand for these devices. It may be of interest to note the exact cost of a letter box as it stands on the streets of Sacramento.

The post to which the box is attached cost <sup>a</sup> .....	\$1. 85
The No. 2 box, the size usually in use .....	2. 60
Painting .....	.50
Groff fasteners .....	1. 25
Montague device .....	4. 25
Attaching the fastener and device .....	1. 45
Freight and cartage .....	1. 81
Total .....	13. 71

On April 21, 1902, another order for 10,000 devices was given at \$4.25 each. This order was originally drafted by Machen in lead

<sup>a</sup> And freight.

pencil, and was for delivery during the fiscal year 1903. Only 4,000 were manufactured and received by the Department, however, by the end of the fiscal year, at which time the order was canceled.

The equipment of letter boxes with this expensive device, costing almost double as much as the box to which it was attached, can not be justified from any standpoint of intelligent or honest administration. There are 80,000 boxes in the city service of the United States. It would, therefore, have cost \$340,000 for the devices alone to equip the existing service; add to this the expense of attaching, freight, etc., and the total cost would have aggregated not less than \$400,000. There was a net profit to the company of about \$2 each, which on 80,000 would have aggregated \$160,000.

If the equipment of the boxes with the Montague device had been pushed as vigorously by Machen as was the attaching of the Groff fastener, the stock of this company soon would have become very valuable; but the difficulty was that the cost was so great it soon ate deeply into the miscellaneous appropriation and left less money to be expended for letter boxes, Groff fasteners, satchels, straps, cases, painting, etc. Machen's interests in these other supplies were much larger than in the Montague device, and a greater percentage of the money expended for them found its way into his pockets; and he was not willing that too much of the miscellaneous appropriation should be expended in the equipment of boxes with indicators. As it was the stock at one time sold as high as \$3 per share.

The stock donated to Beavers and Machen had been nominally issued by the company to Richardson, or was under his control to be used at his discretion in its interests. Seger, in whose name Machen's stock was issued, is a contractor for free-delivery collection service in the city of Chicago. The stock given to Beavers remained for a while in Richardson's name.

On February 1, 1901, a dividend of 6 cents per share was declared, and on May 17, 1902, a second dividend of 10 cents per share was paid.

On February 6, 1901, 250 additional shares of stock were sent to Machen. Richardson states that this was done as a token of gratitude for past favors. Erwin says (Exhibit L) that at about the time this stock was given Machen, Richardson was complaining of the sluggishness of the Department in paying the bills of the company, and remarked: "I wonder if they want more stock back there?" So that this 250 shares were probably intended more as a spur to action than as a reward for favors. Machen's stock was issued to Seger. Seger states (Exhibit L) that he bought this stock from Machen and paid him \$1,200 for it. But whether Machen actually sold the stock or had Seger hold it for him is not material to this inquiry.

There is mystery about the true ownership of the 2,000 shares given to Beavers. Inspectors Wayland and Birdseye, however, in their investigation, developed some interesting facts concerning this stock. It was issued in eight certificates—four of 300 shares each and four of 200 shares each.

These certificates were originally issued in the name of D. S. Richardson, and by him, at the suggestion of Beavers, assigned to John R. McDonough. The books of the company show the certificates to have been issued to Richardson. Richardson states that he collected the dividend on this stock and forwarded it to Beavers in currency by registered letter.

The first dividend of \$120 was forwarded to Beavers February 6, 1901. This remittance was acknowledged by Beavers in the following letter:

WASHINGTON, D. C., *February 20, 1901.*

Mr. D. S. RICHARDSON,  
*Room 7, Mills Building, San Francisco, Cal.*

*Personal.*

MY DEAR MR. RICHARDSON: Yours of February 6 with inclosure duly received. I will hold the papers in your name for the present, until something decisive is known. I am glad to know that the matter promises so well. I have not seen Mr. Heath, but will make another effort to-day. He is mighty hard to locate just now, being busy on national committee matters. Give my regards to all inquiring friends, and believe me,

Very truly, yours,

G. W. BEAVERS,  
*Superintendent.*

This was in February, 1901, and the stock was still in Richardson's name and apparently in Beavers's possession. In August, 1902, Beavers again wrote (Exhibit L):

WASHINGTON, *August 21, 1902.*

Mr. D. S. RICHARDSON,  
*Care Postmaster, San Francisco, Cal.*

*Personal.*

DEAR RICHARDSON: Our friend in Salt Lake wants the inclosed stock drawn in the name of Edwin B. Bacon. Kindly issue new certificates and have these destroyed. Forward same to me by registered mail.

Yours, very truly,

G. W. BEAVERS.

On the face of this letter is indorsed a lead pencil note in the handwriting of R. H. E. Espey, secretary of the company: "Editor Salt Lake Tribune," and on the back, "133 S. West Temple" and "9th E. and Brigham," the first being Heath's office address and the second his home at that time.

The "inclosed stock" referred to consisted of certificates Nos. 56, 58, 59, and 61 of the Postal Device and Improvement Company, amounting to 1,000 shares, being four of the eight certificates given to Beavers on December 27, 1899.

As directed in the foregoing letter, a new certificate, No. 235, for 1,000 shares was issued to Edwin B. Bacon, on August 28, 1902, and mailed to Beavers in lieu of those returned. The old certificates were not destroyed, however, but were found in the files of the company by the inspectors. On these original certificates the name of McDonough had been erased and Bacon's inserted in red ink. This seems to have been objected to, and then the new certificate for 1,000 shares was issued.

The Edwin B. Bacon referred to is a citizen of Louisville, Ky., Heath's uncle by marriage, and said to be one of his most intimate friends. This certificate, No. 235, which was issued to Edwin B. Bacon August 28, 1902, in lieu of the four original certificates, was returned to the company anonymously in a blank envelope after this investigation began. The envelope with postmark is alleged by Richardson to have been destroyed. Bacon states (Exhibit L-60) that he never saw the stock and did not know that it was in existence. Heath refused to make a written statement, but stated verbally to Inspector R. D. Simmons (Exhibit X) that he never heard of the stock, and had no interest in the company directly or indirectly. Richardson says that all he knows about the real ownership of the stock came through Beavers.

The facts that Beavers, who had nothing whatever to do with the adoption of the device, except as he could influence Machen and Heath, was given twice as much stock as Machen; that he kept the stock two years and then had one-half of it reissued to Bacon, Heath's relative by marriage, and that these particular 1,000 shares should have been returned anonymously to the company after this investigation began, are circumstances tending to corroborate the allegation that half of the 2,000 shares issued to Beavers was given to Heath.

Machen alleges that what he did for this company was at the earnest solicitation of ex-Congressman Loud. Richardson states (Exhibit L) that Mr. Loud had no pecuniary interest in the company; that he never offered Loud any stock, because he thought such an offer would be resented, but that he did give 150 shares to H. F. Dodge, clerk to the House Committee on the Post-Office and Post-Roads. Richardson also says that stock was presented to one or two of Loud's intimate political friends in San Francisco, but that Loud had no knowledge of such donations.

The evidence in this case was submitted to the United States attorney for the District of Columbia; and Beavers, Machen, and Erwin were indicted on September 8, 1903, for conspiracy to defraud the Government (Exhibit L-61). The district attorney decided that the evidence against Heath was not sufficient to justify his indictment.

#### RURAL CARRIERS' BADGES.

Machen did not despise little things. While letter boxes, Groff fasteners, carriers' satchels, etc., were bringing him annually thousands of dollars of ill-gotten gain, yet he was not unmindful of the smaller transactions.

Soon after rural free delivery was well under way Machen conceived the idea of furnishing an official badge for rural carriers. The first purchase was for 2,000 from Herman Baumgarten, of Washington, at 35 cents each, made of German silver. Subsequently, when Baumgarten solicited additional business he was told by Machen that a "celluloid" badge had been adopted, it being preferable on account of its lightness.

Charles J. Heller, of Philadelphia, a dealer in caps, helmets, and headwear states (Exhibit L-71) that he called on Machen at the Post-Office Department in 1900 and solicited business in his line. Machen entered into negotiations with him which resulted in an agreement on his part to furnish the "celluloid" badge referred to at 50 cents each, 5 per cent discount in lots of 5,000. During the negotiations, Heller states that Machen told him that usually there were certain "fringes" to such transactions; and as a result of this suggestion Heller agreed to give Machen a "fringe" of 10 per cent on the gross sales.

From September 22, 1900, the date of the first order for badges to Heller, 38 orders were given, covering a total of 17,756 badges, at a cost of \$7,760.50, upon which Heller paid Machen \$767.55 as commissions, as follows:

February 12, 1901 .....	\$248.50
September 11, 1901 .....	249.15
December 11, 1901 .....	7.55
July 21, 1902 .....	30.75
About July 31, 1902 .....	30.80
December 1, 1902 .....	200.80
Total .....	767.55

Commission on one order, amounting to \$85, had not been paid at the time of Machen's removal. These payments were made in cash by Heller to Machen personally, the money for the first payment being placed, at Machen's suggestion, in a drawer of his desk. The others were inclosed in an envelope and handed him at his office.

On October 5, 1903, Machen was indicted in connection with these transactions for receiving bribes, a copy of which indictment is submitted herewith, marked "Exhibit L-72."

#### CONCLUSION.

The "Heller case" completes the record for the Free-Delivery Division wherein the investigation has resulted in criminal proceedings. The foregoing, however, do not include all the criminal acts of Machen. Shortly after he came to Washington he obtained the sum of \$3,500 on a forged mortgage, the genuine instrument being at the same time held by a bank in Toledo, Ohio, to secure another loan to him. Nor is this the only forgery chargeable to Machen. A few years after his appointment as superintendent of free delivery he procured the employment of Henry L. Lorenz, of Toledo, Ohio, to a position in the Free-Delivery Service, and contrived to have the appointment dated back about three months, covering a period in which Lorenz was not employed and rendered no service whatever to the Government. The voucher purporting to be that of Lorenz for the sum of \$369, compensation for this period, was forged by Machen, and later he forged the indorsement of Lorenz to the Government warrant for this amount, procured the cash thereon, and converted the same to his own use.

This offense was charged against Machen some years ago, and in 1897 he was interrogated under oath before a Committee of the Senate and testified that he never saw the warrant for this money and that Lorenz indorsed it himself and procured the money on the same. Last May, on the day Machen was dismissed from the service, he was questioned under oath and testified as regards this warrant that Lorenz gave him authority to indorse his name to the warrant and execute the voucher. There is also evidence of his having prepared some fictitious letters with a view to presenting still a third defense to the charge of perpetrating this fraud (Exhibit L-1). More than three years having expired since these forgeries were committed, the statute of limitations protects him from prosecution.

In this report I have endeavored, as briefly as possible, to relate the story of Machen's operations while in charge of the Free-Delivery Service. In a report of this kind many administrative acts of minor importance as compared with the grosser frauds must be omitted and many interesting details eliminated. These, however, are fully set forth in the accompanying exhibits. The investigation of this division resulted in the finding of 21 indictments, involving 17 different persons.

From the day that Machen was placed in charge of the Free-Delivery Service he began to study the methods of blackmailing contractors. He is known to have been interested in ten different lines of "graft," namely: Letter-carriers' tie straps, shoulder straps, letter boxes, package boxes, Groff fasteners, painting of boxes, carriers' satchels, carriers' cases, time indicators, and rural carriers' badges. He is named in 14 of the indictments. All lines of fraud for a time

seemed to lead to him. Inspector Fosnes aptly states that in this network of fraud "sat Machen like a fat spider, watchful and expectant."

With great skill he acquired influence over his superior officers. Many of the frauds that yielded him the largest returns, viz, those relating to package boxes, Groff fasteners, letter boxes, and straps, developed during the administration of Hon. Wilson S. Bissell as Postmaster-General and Frank H. Jones as First Assistant, two executive officers whose integrity can not be questioned. A change in the politics of the National Administration did not retard the progress of his corrupt operations. The growth of the postal service enlarged his opportunities, and he was not slow in taking advantage of them.

When a contractor for free-delivery supplies by some slip escaped without paying him the customary tribute, he was sure to be harassed by deferred payments and other convenient makeshifts of Machen to discourage further bidding on his part. This is illustrated by the experience of the Waddell Wooden Ware Works, of Greenfield, Ohio, which had the contract for free-delivery furniture. McGregor was on the committee of award and endeavored to give the contract to another bidder, but the committee resisted, and he was compelled to yield. The result was that the monthly payment of bills due this company was deferred. Payment of the bill for furniture delivered in September, 1902, was refused because it was alleged that the appropriation was exhausted, when but three months of the fiscal year had run. But while Machen refused to pass these accounts because of the "exhausted appropriation" he continued to pay Runkle, Crawford, Scheble, McGiehan, and others who were paying him tribute. Over \$100,000 was paid to these fraudulent contractors from the appropriation that was "exhausted" when the honest contractor rendered his bill.

Machen does not seem to have considered a day of reckoning as possible; over nine years of continued prosperity had given him confidence. He had passed safely through two Congressional investigations—one in 1896, by the Committee on the Post-Office and Post-Roads of the House, and one in 1897, by the Committee on Civil Service and Retrenchment of the Senate. He had deceived his superior officers through the administrations of four different Postmasters-General and a like number of first assistants; but his schemes finally became so elaborate and their ramifications so extensive that the atmosphere became charged with suspicion; damaging stories affecting his integrity reached the ears of his superiors, and this investigation was ordered, with the results as narrated.

#### CHARLES HEDGES.

In 1898, at Machen's solicitation, two additional assistant superintendents of free-delivery were appointed, with salaries at \$2,000 per annum and a per diem of \$4 in lieu of expenses when traveling on official business. When at home on leave, or off duty on account of sickness or for any other cause, an assistant superintendent is not entitled to per diem. Machen's object was to have men under his immediate charge to investigate questions relating to free-delivery. Prior to that time these investigations had been made by the regular post-office inspectors.

On July 1, 1898, Charles Hedges was appointed an assistant super-

intendent. And on July 1, 1901, he was made superintendent of city delivery, which position gave him supervision of the free-delivery allowances.

During the early part of this investigation it was charged that Hedges had been using the influence of his office to induce postmasters and other postal employees to buy stock in mining schemes in which he was interested.

Inspectors Sutton, Jones, and Bennett were assigned to the case, and their report is submitted herewith (Exhibit M-1). It appears that Hedges was promoting a gold-mining scheme known as the "Oregon King Gold Mining Company," and that he sent advertising circulars to numerous postmasters setting forth the merits of this scheme. The circulars bore his own name as an officer of the company and his official title as superintendent of the city delivery. He inclosed with these circulars to postmasters his official card, and also wrote numerous letters suggesting that they buy stock or interest some of their friends in the scheme. These suggestions were frequently made in official letters. To illustrate:

The postmaster at Boston, Mass., in the fall of 1901 applied for an additional mechanic for his office. Hedges, in answer to his application, on November 30 wrote:

The matter of assistant mechanic, owing to busy period, has not yet been taken up. It is more difficult, but will try and get around to it soon.

In this letter he inclosed an advertisement of the Oregon King Mining Company. On April 28, 1902, he again wrote the postmaster:

Your favor of the 24th instant reached me last Saturday, and I was glad to hear from you and hope you will find the time to carefully read the Oregon King prospectus. \* \* \* I will keep in mind the additional mechanic, and if it is possible will see that your wishes in the matter are carried out.

On May 8 following he again wrote:

I shall certainly reach Boston later in the month. \* \* \* Will then take up the question of the additional mechanic and other matters.

Congressman Lewis, of Pennsylvania, with a few of his personal friends, has indicated the intention to subscribe for a portion of the remaining Oregon King shares. \* \* \* If you have time and there is anything new in the situation from your standpoint, please let me hear from you.

The postmaster at Allentown, Pa., applied for additional car fare for his office. On May 13 Hedges wrote him:

I gave the matter of additional car fare immediate attention and you doubtless have the notice by this time. Inclosed please find a letter in regard to a personal matter which may prove of some interest to you. If you are so situated as to be able to give the matter any consideration, it would be very gratifying. I trust that you will take hold of the matter and dispose of a block of the treasury shares. Hoping to hear from you in the premises.

These letters plainly indicate that when postmasters were asking for allowances that were under the control of Hedges he was continually importuning them to invest in his mining schemes.

Hedges states (Exhibit M-1) that he believed that literature sent in this way to postmasters would be given more attention than if it had been sent as a private individual. It therefore seems clearly established that Hedges did use his official position in order to induce postmasters to invest in his mining schemes.

It was also alleged that Hedges had loaned his official commission. This seems to be established by the following letters:



On September 17, 1899, he wrote to Waldo W. Valentine, a clerk in the New York post-office, detailed to assist Hedges in preparing his report, as follows:

Yours of Friday, the 15th, with the inclosures did not reach me until Saturday evening, when I returned from downtown. It was then too late to send my commission over with any certainty that it would reach you on Sunday. Had I known a day earlier that Mrs. Valentine was coming over and that you wanted to run over, I should have been glad to have sent my book.

On October 1, 1899, he again wrote Valentine:

Inclosed find book. I should like to see you Tuesday, and think I will view parade from our office. There will be room there also for your folks.

Hedges admits (Exhibit M-6) that he did loan his traveling commission to Valentine.

The gravest offense committed by Hedges, however, was the falsifying of his official diary, while assistant superintendent, in order to collect per diem to which he was not entitled. Under the provisions of the appropriation bill, assistant superintendents are entitled to a per diem of \$4 "when actually traveling on business of the Post-Office Department."

On December 5 and 6, 1899, in his diary, Hedges reported himself "at San Antonio, Tex., on official business;" and on the 7th "at San Antonio, Tex., investigating carrier service," while in fact he was not at San Antonio, Tex., on any of those days, but in Mexico, looking after private business matters.

On December 7, 1899, he wrote a letter from Chihuahua, Mexico, to which he attached the following postscript:

At the office I am supposed to be still in Texas.

Yet in submitting his pay account for December, 1899, he stated under oath that he had been "actually traveling on the business of the Free-Delivery Service" during the days he was in Mexico.

In an affidavit (Exhibit M-4) Hedges admits that in October, 1900, he made a trip from El Paso, Tex., to Sonora, Mexico, consuming two days on personal business, and that he collected per diem for both days by stating in his official diary that he was at El Paso, Tex., engaged upon official business.

On October 24, 1900, Hedges wrote Valentine from Chicago, Ill., as follows:

I returned from Missouri and the West on Monday evening. Am at headquarters here for a few days. Am going to Mansfield to-night with my uncle, Senator Hanna, Heath, and others, to attend Mr. Sherman's funeral.

He admits (Exhibit M-6) that he was in Chicago on the 24th, the day he wrote the letter, and that he spent the 25th at Mansfield, Ohio, attending the funeral of ex-Secretary Sherman. Yet in his official diary he stated under oath that on the 24th he was "traveling enroute north, Joplin, Mo.," and on the 25th, "Joplin, Mo., extension of Free-Delivery Service."

Hedges also falsified his accounts frequently by reporting himself elsewhere when he was in the city of Washington, serving as Acting Superintendent of Free-Delivery.

On October 19, 1899, he wrote to Valentine as follows:

Yours of yesterday at hand this a. m. with inclosures. I have been getting data for annual report and must now get away to write something. I will leave in the morning with Mrs. Moodie for Atlantic City for a few days—her physician says she

must get away. Don't know yet at what hotel we shall stop. Please send my mail to me in care of the postmaster, Mr. Devine, who will see that it promptly finds me. Here, at the office, the impression is that I have returned to New York; therefore General Heath or Captain Fowler would communicate with me via New York in case they sent any message.

In his affidavit (Exhibit M-6) he admits that on the following day, October 20, he went to Atlantic City, as indicated in the above letter. Yet in his official diary for that day he states under oath that he was in—New York, collection service at branch stations I and J.

Many dates could be cited showing that at different times he reported himself in New York, Philadelphia, Bridgeport, Conn., and other cities, when in fact he was in Washington. His purpose in making such false statements was to collect per diem, to which he was not entitled.

The above facts were submitted on July 22, 1903, to the Postmaster-General, who immediately ordered his dismissal from the service.

#### CHARLES T. M'COY.

Charles T. McCoy was appointed an assistant superintendent of free-delivery on January 2, 1900. During the progress of this investigation it came to the knowledge of the Department that he also had made false entries in his diary for the purpose of collecting per diem to which he was not entitled.

The case was investigated by Inspectors Sutton, Jones, and Bennett, whose report is submitted herewith (Exhibits M-9 and M-10). Their investigation disclosed that at various times McCoy had reported himself as "engaged in traveling upon the business of the Free-Delivery Service" when he was not.

The inspectors recommended McCoy's removal, in which recommendation I concurred. McCoy, on October 17, however, submitted his resignation, and in consideration of his services as a Union soldier in the war of the rebellion he was permitted to resign.

#### H. H. RAND.

H. H. Rand was appointed an assistant superintendent of the Salary and Allowance Division on April 1, 1902, and assigned to the office of the Postmaster-General to perform such services as the Postmaster-General might direct.

It has been charged that Rand was interested in the promotion of numerous speculative enterprises, mostly mining companies; that he used his official position to induce departmental employees to invest in his schemes; that at his request a departmental clerk was assigned to do his stenographic work, which consisted almost wholly of letters relating to his private business; that he, in the capacity of a lobbyist, aided in the passage of what is known as the Parrish ice claim.

By direction of the Postmaster-General an investigation was made of these charges, Inspectors Sutton, Bennett, and Jones being assigned to the case. Their report is submitted herewith, marked "Exhibit N."

#### MINING COMPANIES.

It appears that in the spring of 1902 A. W. Machen, John D. King (employed in the Rural Free-Delivery Division), and H. H. Rand bought from Dr. S. W. Scott an alleged copper mine in Mexico. A com-

pany called the National Capital Copper Mining Company was organized and chartered under the laws of the State of Virginia, with a capital stock of \$150,000. The directors were A. W. Machen, H. H. Rand, J. D. King, H. M. Baker, David Fenton, George E. Lorenz, Thackeray E. Lee, F. M. Criswell, and S. W. Scott. Machen was elected president, Rand vice-president, King secretary, and Baker treasurer. The price of the stock was fixed at 37½ cents per share, and each one of the directors took a small amount.

All persons who were supposed to have knowledge as to Rand's having solicited departmental employees to buy the stock were interviewed by the inspectors (Exhibit N).

J. J. Howley, chief clerk to the First Assistant Postmaster-General, says (Exhibit N-4) that shortly after Rand came to Washington he told him he had an option on a mining property in Mexico, and was looking for some one with \$2,000 to go into it with him, at the same time asking him if he had that amount.

Mae C. Wood states (Exhibit N-6) that when she, as stenographer, was writing letters for Rand, he talked to her about buying some stock in his mines, but that she declined to make the investment.

Clara C. Bangs states (Exhibit N-5) that soon after Rand came here he asked me if any of the people around here had any money. I replied that I thought Machen and Beavers had it all. Not long, as I remember, after that he informed me one day that they had "made Machen president of our mining company." This was a long time before the company was incorporated and now known as the National Capital Copper Mining Company.

She further states that he told her that the stock of this company was advancing rapidly, and that it would be a good thing for her to put some money into it.

E. F. Warren, a laborer in the Department building, stated that on one occasion Rand, in passing him, handed him a circular bearing upon some mining company, but that he did not ask him to purchase any stock.

All officers or employees of the Department who own stock declared that they did not buy it from Rand, nor were they ever solicited by him to buy stock.

D. H. Fenton, law clerk in the Sixth Auditor's office, says that Machen first called his attention to the stock, and that he purchased it after he discovered that ex-Congressman H. M. Baker was interested in the company; but that he never was solicited by Rand. Others said that Machen had advised them to buy stock, but that they had never been approached upon the subject by Rand.

The inspectors interviewed about thirty other clerks whom it was alleged Rand had asked to buy stock, but, except Howley, Miss Wood, and Mrs. Bangs, they all denied that he had ever solicited them to buy stock in any mining company.

The directors of the National Capital Copper Mining Company had frequent conferences, usually at the Department, in Rand's room, sometimes in Machen's or King's. Rand, Machen, and King state that such meetings were always after office hours. Miss Wood and Mrs. Bangs state that usually they were during office hours. In addition to this copper mine, Rand seems to have been interested in two Mexican haciendas and to have owned stock in the Hidalgo Mining Company, of Mexico, and several other companies. He also endeavored to interest friends in two marble companies, one in Colorado and

the other in Virginia; a copper mine at Mount Washington, Md.; a smoke-consuming device, which he discovered at Baltimore, and other enterprises of a similar character. He was also interested with a Mr. Everett in a trust company at Chicago.

A letter was sent (Exhibit N-10) to all the postmasters at free-delivery post-offices in the country, inquiring if any officer of the Department had ever solicited them or any employees in their offices to purchase stock in any mining company or other enterprise, and none of their answers indicate that Rand ever tried to interest them in any of his companies. The only evidence that Rand solicited clerks in the Department to buy his stocks is that contained in the statements of Howley, Mrs. Bangs, and Miss Wood.

#### USE OF DEPARTMENT CLERK FOR PRIVATE WORK.

Mrs. Bangs states that she is a stenographer and telegrapher in the office of the First Assistant Postmaster-General; that Rand required so much of her time to attend to his correspondence relating to private schemes that she was compelled to complain to J. J. Howley, chief clerk to the First Assistant Postmaster-General, stating that she could not do Rand's work and keep up her regular office duties; that after such complaint she was relieved by Miss Mae C. Wood, a clerk in the Money-Order Division, being assigned as Rand's stenographer.

Miss Wood states that her time was taken up almost wholly with correspondence relating to Rand's private business. She was afterwards succeeded by W. R. Mackrille, a clerk in the Rural Free-Delivery Division. Mackrille (Exhibit N-7) says that Rand did very little writing, and that what he did referred mostly to official business which had apparently been assigned him by the Postmaster-General; but that occasionally he wrote letters relating to Rand's private business. It appears, therefore, that Rand did ask the stenographer assigned him to write his personal letters; and that there is a conflict of statements as to the amount of time consumed by the clerks in this work.

#### PARRISH ICE CLAIM.

During the last session of Congress a bill was passed authorizing the Secretary of the Treasury to pay a claim which J. W. Parrish alleged was due him for furnishing ice to the Government during the late civil war. Parrish formerly lived at Madison, Wis., and is an acquaintance of Rand. The allegation has been made that Rand aided him in securing the passage of this bill by importuning members of Congress and Senators in its behalf. Where it was practicable, the members of the Committee on Claims of both the House and Senate were interviewed by the inspectors, and their answers are submitted herewith, marked "Exhibit N-12." Nine members of the Senate committee and 14 members of the House committee answered, and all stated, to the best of their knowledge and recollection, that Rand never appeared before the committee nor spoke to them personally in regard to the bill.

It seems that Charles Hedges, late superintendent of city free delivery, did speak to some members of Congress in behalf of the passage of this bill; but there is no evidence that Rand asked any member of Congress to vote for the measure.

Mae C. Wood, who seems to be hostile to Rand, delivered to J. J.

Howley, chief clerk to the First Assistant Postmaster-General, copies of letters taken from her notebooks while she was serving as Rand's stenographer, indicating that he had been in correspondence with Harrison J. Barrett and others in regard to cases pending before the Department against "get-rich-quick" concerns; but it seems that these letters were written to secure information in regard to the attitude of the Department toward a number of alleged building associations which were doing business in Kansas City, Mo. This information was desired by Everett, president of the trust company in which Rand was interested, in Chicago, an institution that appears to be doing a legitimate business. It does not appear that Rand was ever interested in any of these cases, nor that he was seeking in any way to influence the action of the Assistant Attorney-General's Office.

It does appear, however, that Rand has been indiscreet in his relations with certain departmental officials. He became an intimate friend and partisan of A. W. Machen, but that was probably more through the designs of Machen than Rand. Machen, always anxious to establish close relations with powerful influences, thought that he saw through Rand a direct connection with the Postmaster-General, and therefore readily interested himself in some of his mining schemes. Rand probably was not aware of Machen's real purpose; but coming into the Department as he did, as the personal appointee of the Postmaster-General, it is unfortunate that he should have allied himself with Machen in such a way as to become his partisan defender when charges were filed against him. With the exceptions of the remarks made to Howley, Miss Wood, and Mrs. Bangs, as to the value of his mining stock, and the dictation of letters relating to private business to an official stenographer, the evidence submitted by the inspectors does not sustain the charges made against Rand.

#### JOHN M. MASTEN.

During the early part of the investigation the Department was flooded with anonymous charges against different postal employees. Much time was spent in investigating vague and indefinite statements. Two of these anonymous charges were directed against John M. Masten, assistant superintendent Railway Mail Service, formerly chief clerk to the First Assistant Postmaster-General. It was alleged that while he was chief clerk he had solicited bribes from clerks for promotions. Inspectors Hall and Ketcham were directed to make a thorough investigation, and their report is submitted herewith (Exhibit O).

C. B. Terry, a clerk in the Supply Division, proved to be the author of the charges. He declared to the inspectors that Masten had attempted to force him to pay \$100 to secure a promotion. He submitted a long statement under oath to that effect, giving details which he alleged could be corroborated by other clerks. The inspectors interrogated the clerks referred to, but they all contradicted Terry's statement on material points.

Further inquiry developed that Terry, while employed as a clerk in the Dead-Letter Office, was most offensive to other clerks in the room with him; that he frequently threatened to "spit" on a female clerk employed in the same division; that he would, in an irritating way, mock another clerk who had bronchial affection; that he had himself attempted to secure money from other clerks upon the pretense that

he could influence their promotion; and that before his entry into the postal service he had been imprisoned for murder committed while a police officer (Exhibit O).

The inspectors, after a thorough investigation, found no evidence to sustain the charges against Masten, but did secure evidence that Terry had made false statements, under oath, and that he was a person wholly unfit for the public service. They recommended that the case against Masten be closed and that Terry be removed from the service; in which I concur.

Masten's connection with the contract for Bundy clocks will be discussed in another chapter of this report.

Terry was removed October 21, 1903.

#### DIVISION OF SALARIES AND ALLOWANCES.

George W. Beavers entered the postal service in 1881 as a clerk in the New York post-office at a salary of \$900 per annum. In March, 1890, he was transferred to the position of post-office inspector, in which capacity he served until August, 1897, when, upon the recommendation of Perry S. Heath, First Assistant Postmaster-General, he was appointed chief of the Salary and Allowance Division. On March 24, 1903, when Beavers learned that an investigation of his official conduct had been ordered, he immediately resigned.

While Heath was First Assistant Postmaster-General, Beavers was given a free hand in official matters.

Beavers's methods of administration were reckless and without rule or regularity. Increases of allowances for clerk hire in post-offices were made as matters of favor, regardless of the necessities of the service. Promotions were made in the same way, little consideration being given to the merits of the clerk promoted. Long time leases for post-office premises were canceled and the rent increased upon the recommendation of influential Senators and Representatives, or at the request of prominent political leaders, sometimes without regard to the rental value of the premises.

Under the latitude given him by the First Assistant Postmaster-General, Beavers distributed the millions appropriated for salaries and allowances in such a way as to create a sense of personal obligation on the part of those receiving his official favors. He was not, however, unmindful of his own interests. When appointed chief of Salaries and Allowances, the salary of that position was \$2,500 per annum. During his incumbency it was increased, first to \$3,000, when the title was changed to superintendent; then to \$3,500, and finally to \$4,000, with the official designation of general superintendent. But salary alone did not satisfy him.

#### SALE OF PROMOTIONS.

When this investigation was ordered, one of the first matters assigned to the inspectors was the alleged sale of promotions to post-office clerks in New York City, Jersey City, and Bayonne, N. J. Beavers took an active interest in the National Association of Post-Office Clerks. The ordinary dues of membership in that association are light, as its legitimate expenses are small. While Beavers was Superintendent of Salaries and Allowances a fund was created, known

as the "legislative fund." Contributions were asked upon the representation that they were necessary in order to secure the passage of a law by Congress increasing the pay of post-office clerks.

Otto F. Weis, a clerk in the registry division of the New York post-office, an intimate friend of Beavers, whose salary has been advanced under his régime from \$1,200 to \$1,800, was made chairman of the legislative committee of the association. Weis called for contributions, and stated (Exhibit P-1) that he collected from \$8,000 to \$10,000 for this fund. His bank account, however, at the Colonial Trust Company, where these funds were deposited, beginning with February 18, 1899, aggregates \$19,154.01; and I am of the opinion that this represents the amount of his collections. He states that he used about \$3,000 of this money for expenses, and that the balance, amounting to \$6,000 or \$7,000, he paid to Benjamin Parkhurst, of Washington, D. C., who also was an intimate friend of Beavers. Parkhurst was for years superintendent of a station of the Washington City post-office. He declined to state what he did with the money paid him by Weis. Parkhurst himself has a bad reputation. He was retained in the service and promoted through the influence of Beavers, and without his support would have been removed for intoxication and neglect of duty upon more than one occasion (Exhibit P-9). On April 2 of this year he was removed from the service for a most revolting act of immorality.

During the investigation many of the clerks in the New York, Jersey City, and Bayonne post-offices were examined under oath (Exhibits P-2, P-3, P-4, and P-5). Three state (Exhibit P-3) that they were told by friends of Weis that if they would join "his association" and contribute to the legislative fund they would receive a promotion of \$100 July 1, 1900; but they declined, and were not promoted. Seven clerks state (Exhibit P-2) that they paid the amounts requested of them and were promoted as promised. In nearly all of these cases those who paid the money were assured that if the promotions were not made the money would be refunded.

A number of promotions were made solely at the request of Weis (Exhibit P-6). On July 20, 1899, Weis wrote Beavers asking the promotion of Isaac Fisher, clerk in the New York post-office, from \$700 to \$800 per annum, and R. C. Kindred from \$800 to \$900. The next day the postmaster was directed, in a letter initialed by Beavers and signed by the First Assistant Postmaster-General, to make the promotions. These clerks both contributed to the legislative fund which Weis was collecting. In time it became quite generally understood in the New York post-office that promotions could be secured by joining the association and contributing to Weis's legislative fund.

In October, 1899, Weis suggested to Frank C. Hay, a clerk in the Jersey City post-office, that he could have the salaries of the clerks in Jersey City and neighboring post-offices increased \$100 per year upon the payment of 2½ per cent of their salaries. Hay states (Exhibit P-4) that Weis told him this money was to be paid to Beavers, after deducting the expenses for collecting. A number of clerks in Jersey City and Bayonne were interviewed by Hay, and shortly after he collected and turned over to Weis the following amounts:

E. H. Whitney, assistant postmaster, Bayonne.....	\$25. 00
Bertram Cubberley, clerk, Bayonne.....	12. 50
Simeon Bullen, clerk, Jersey City.....	25. 00
James A. Coyle, clerk, Jersey City.....	25. 00

and \$35 which he contributed himself. Joseph F. Hart, a clerk in the Jersey City post-office, paid Weis \$25 direct. All these persons were promised promotions and told that if the promotions were not received the money would be returned (Exhibit P-4). The assistant postmaster and clerk at Bayonne were promoted; and Beavers, in a letter dated June 1, 1900, to the postmaster at Jersey City, directed the promotion of Hay, Hart, Bullen, and Coyle. The letter began as follows (Exhibit P-7):

In compliance with your recommendation, the following changes in your roster of clerks are approved.

The roster referred to contained the names of Hay, Hart, and Bullen. But the postmaster had not recommended the promotion of these three clerks; he had, however, recommended the promotion of Coyle. Upon receipt of Beavers's letter the postmaster entered a vigorous protest against the promotion of Hay, Hart, and Bullen without his recommendation, and sent E. W. Woolley, his assistant, to Washington to confer with the Department in regard to the matter. Woolley called upon Beavers and told him that the postmaster objected to the promotion of these clerks and insisted that they be not advanced over his objection (Exhibit P-4). Beavers then stated that the papers had been completed; that he had granted an increase to these three clerks at the request of the clerks' association. Woolley, however, still insisted that their names be taken off the list and the promotions canceled. Beavers did not care further to resist the positive stand the postmaster had taken, and on June 29 he canceled the promotions in a letter as follows (Exhibit P-7):

In compliance with your request of the 23d instant, the increases in salaries of S. Bullen, Joseph F. Hart, and Frank C. Hay, in the sum of \$100 per annum each, as authorized by my letter of the 1st instant, are hereby canceled.

Soon after this letter was written, Weis returned the money which he had collected from Hay, Bullen, and Hart; but the money contributed by Coyle was not returned, his promotion not having been canceled.

Weis admits that he paid Parkhurst about \$8,000 to promote legislation, that he visited Washington numerous times for that purpose, and that he and Parkhurst occasionally had conferences with Beavers. On the 21st of April, while the inspectors were making this investigation, Parkhurst went to Jersey City and sent Hay the following note (Exhibit P-4):

DEAR FRANK: Would like to see you for a few minutes; very important. Am at the saloon, corner Washington and New York. Make it soon as possible, and answer by bearer.

Yours, sincerely,

PARKHURST.

Shortly after the receipt of this note, Parkhurst called upon Hay and inquired if the inspectors had seen him and what they were doing. He further asked Hay to deny everything and say that the money collected was for legislative purposes and not to secure promotions, stating that Weis had agreed to make a similar statement. Parkhurst further said that he would decline to give any account whatever as to what he had done with the money; that he was seeing all of the clerks in New York and Jersey City and asking them to make similar statements.

The facts were submitted to the United States attorney for the District of Columbia early in May, and he recommended against prosecution



upon the ground that the evidence was not sufficient to warrant criminal action. On May 31, 1903, the statute of limitations had run against the last act on Beavers's part of which the inspectors had positive evidence, and further effort toward criminal process against Beavers and Weis in this case was dropped for that reason. I recommend, however, that Otto F. Weis be immediately removed from the service and that action against all other clerks involved be suspended until the completion of the investigation of the New York post-office.

#### CLERK HIRE.

The appropriations for clerk hire are made under two heads: "For compensation to clerks in first and second class post-offices," and "For separating mails at third and fourth class post-offices." Under the first head provision is made for a specific number of clerks of each grade—that is, a certain number at \$900 per annum, at \$1,000 per annum, etc. The allotment of the salaries so provided to clerks in the offices throughout the country is under the direct supervision of the General Superintendent of Salaries and Allowances. In the case of third and fourth class offices a sum of money is allowed for separating purposes, which may be used by the postmaster in the employment of one or more clerks.

In the disbursing of these appropriations great latitude is given the Department. The amount allowed to third and fourth class offices is based upon the number of pieces of mail handled in transit, or because of some exceptional or unusual business—that is, where star routes run from a third or fourth class office the postmaster is required to make up the mail for the offices located upon these star routes, and the Department may make him an allowance for the employment of a clerk to do that work; or if the business of an office becomes abnormally large, because of unusual or unexpected conditions, a special allowance may be made for the employment of clerks to handle such business. By the wording of the statutes, wide discretion is given the Department in the assignment of this fund among the third and fourth class offices.

When the postmaster at a third or fourth class office asks for an allowance for clerk hire the rule of the Department is to require him to count the number of pieces of transit mail handled during a stated period, and his report of the result becomes the basis for the allowance. If for any reason the count is believed to be erroneous a special investigation is made.

When additional clerical help is required at an office because of unusual conditions, as at summer resorts, or such as caused by the rush to the gold fields of Alaska, or to the newly opened lands in Oklahoma, a report is required upon which the Department may base an allowance for the proper transaction of the postal business.

After Beavers became chief of the salary and allowance division little consideration was given to the rules for the assignment of clerk hire. If for any reason he did not care to make an allowance requested, the rule of the Department would be given as a reason for declining, but he never permitted the rules to interfere with any allowance that he desired to make.

The appropriation for clerk hire of all kinds was in one lump sum until 1898, when it was segregated, and \$750,000 provided for clerk hire at third and fourth class offices. The amount has been increased year by

year until it is now \$1,300,000. This appropriation, averaging over a million dollars annually, has been distributed by Beavers largely by personal favor. If a Senator, member of Congress, or any prominent politician, requested an increase in the clerk hire allowed a postmaster, Beavers usually complied, regardless of the merits of the case. When such a request came from an influential member of Congress, Beavers would frequently write him, stating that while under the rules the postmaster was not entitled to the amount asked, yet—

because of your personal interest in the matter the allowance has been made.

The postmaster would then be advised that, "at the earnest solicitation of Congressman Blank," his clerk hire had been advanced, etc.

The distribution of large appropriations of public money as matters of personal favor, regardless of departmental rules and in violation of the law, can not be condoned. To illustrate (Exhibit Q):

At Lestershire, N. Y., on March 1, 1902, the postmaster asked for an allowance for clerk hire, which request was supplemented by a recommendation from the Member of Congress. The postmaster was directed to make a count of the transit mail handled, and in reply he advised the Department that his office was not a distributing office. No unusual conditions prevailed at this office, and under the law it was not entitled to clerk hire; yet an allowance of \$300 per annum was made.

At Dysart, Iowa, the Member of Congress representing the district recommended that if it could consistently be done the postmaster be granted clerk hire. The office is not a distributing office and no unusual conditions prevailed, yet an allowance of \$300 was made.

At Phoebus, Va., the postmaster asked for clerk hire, and on April 3, 1900, he was allowed \$200. On June 30, 1900, he applied for an additional increase because of the summer business; and without any investigation the allowance was advanced from \$200 to \$400, and on March 1, 1901, the allowance was increased to \$600. The gross receipts for the quarter ended June 30, 1902, were \$671.31; for the quarter ended September 30, 1902 (the summer quarter), \$593.79, showing that while an increase of \$400 per annum was given this postmaster because of increased summer business, in fact there was a decrease in the business of his office during the summer months.

Pinckneyville, Ill., was receiving \$80 per annum for handling transit mail. The postmaster, on February 27, 1899, asked for an additional allowance, and a count was ordered. Upon receiving the report of the postmaster his allowance was increased to \$110 per annum, though the record shows that under the rules the count entitled him to \$190 per annum. In April, 1902, the postmaster asked for another increase. He was directed to make a count. This was done, and the report showed the office entitled to \$340 per annum. In the meantime the Member of Congress recommended that the clerk hire be advanced from \$110 to \$650, and his recommendation was complied with. Thus, \$300 more than the office was entitled to was now given this postmaster, who formerly had been unable to get what was due under the Department's rules. After Beavers's resignation the clerk hire at this office was reduced from \$650 to \$110 per annum. The postmaster complained of this action by the Department, and the matter was referred to an inspector for investigation. On September 5, 1903, the inspector in his report (Exhibit Q-11), referring to the postmaster, said:

He candidly stated to me that he was somewhat surprised when he was officially informed that said allowance had been increased from \$110 to \$650, as he did not

expect this apparent large increase. However, he believed that he was entitled to a larger allowance than he had been receiving prior to July 1, 1902.

At Tryon, N. C., a fourth-class post-office, on August 23, 1897, the postmaster applied for clerk hire. A count was ordered, and the report indicated the post-office was entitled to \$140 per annum for separating purposes. Upon the recommendation of Harrison J. Barrett \$250 per annum was allowed, which in September, 1898, was increased to \$600.

The postmaster at Duquoin, Ill., in December, 1901, wrote Senator Mason and asked him to secure \$500 per annum for clerk hire, promising that if he should do so he would devote his time to the Senator's campaign for reelection.

The Senator referred the letter, without comment, to Beavers. The postmaster was directed to keep a count of the transit mail handled. In answer to this he submitted a statement showing the local work of his office. He was informed that no clerk hire could be allowed under the law for local work, and that he should submit a statement of the amount of transit mail handled. To this the postmaster never replied, but on March 13, 1902, the Member of Congress recommended that an allowance of \$500 per annum for clerk hire be given this office, and the request was complied with. On January 5, 1903, without further inquiry as to the amount of mail handled, the clerk hire was increased to \$700, and on February 13, six weeks later, it was again increased to \$900. Under the rules of the salary and allowance division this office, on the basis of a count made in August, 1903, is entitled to \$60 per annum.

John W. Langley, appointment clerk of the Census Office, on December 6, 1900, requested an increase in the allowance for clerk hire at Prestonsburg, Ky., the postmaster being his sister. The allowance at that time was \$240. A count was ordered, and the report showed the office entitled to an allowance of \$250 per annum, but an allowance of \$500 was made. In February, 1902, upon the recommendation of Mr. Langley, the allowance was increased to \$700.

In May, 1900, the Member of Congress recommended that the allowance for separating purposes at Conyers, Ga., which was then \$40 a year, be increased. A count was ordered, and the report showed the office entitled to \$160 per annum; only \$100, however, was allowed. The Congressman, on November 29, 1901, called personally, and as a result the allowance was increased on December 10, 1901, to \$320. This increase of \$720 was paid to a clerk recommended by the Congressman. On July 1, 1902, the clerk who had been receiving the \$720 was transferred to a position in another office and the allowance was then reduced to \$100 per annum. In August, 1902, a count was made that indicated the office was entitled to \$210 per annum, and \$200 was allowed. The above plainly demonstrates that the \$720 allowance was made to give a clerk employment and not because of the amount of work in the office.

The office at Herndon, Va., has had an allowance of \$100 per annum for clerk hire since October, 1897. On June 26, 1902, the postmaster was directed to employ Mrs. Laura M. Landreau as a temporary clerk in his office for two months, and was authorized to expend \$100 for that purpose. Her services were continued by order of the Department, from month to month, until April 30, 1903, when they were discontinued. The inspector in investigating this case says:

It will be noted that in the period, July 1, 1902, to April 30, 1903, the small (fourth-class) post-office at Herndon, Va., has been authorized to pay Mrs. Laura

M. Landreau \$470 as temporary clerk. The payment ceased April 30, 1903. In the meantime Mrs. E. G. Sweetzer, postmaster, has been allowed at the rate of \$100 per year for clerical assistance.

As a matter of fact, postmaster states that Mrs. Landreau as a general thing did little or nothing. She came into the office now and then, and, in emergencies, has been known to remain all day in the office. Her services were superfluous, and it was understood by the postmaster, by the public, and by Mrs. Landreau herself that the money was paid to her as a gift and in no sense of the word for services rendered the post-office establishment.

At Port Deposit, Md., the postmaster was receiving an allowance of \$60 per annum for separating purposes. On February 13, 1903, the Member of Congress asked that on account of increased business the allowance be made \$500, and that Ethel W. Colvin be designated as the clerk at that salary. On February 17 he was advised that the increase had been authorized to take effect March 1. On February 27, the postmaster having refused to appoint Miss Colvin, the Congressman wrote, stating that fact and suggesting that the allowance be reduced to \$60, which was immediately done.

Rockville, Md., July 1, 1897, was allowed \$300 clerk hire. On April 18, 1899, this amount was increased without application from the postmaster from \$300 to \$900, and he was directed to appoint Frank M. Page, of Norbeck, Md., as a clerk in his office. On August 17 of the same year the amount was increased from \$900 to \$1,400 per annum. May 29, 1900, an inspector reporting on this office (Exhibit Q-2) stated:

Since September 27, 1899, three clerks have been employed in this third-class office, with the postmaster's salary only \$1,400—F. M. Page, \$600; W. L. Bean, \$400, and John J. Higgins, \$400, until Mr. Page was transferred April 5, 1900.

Comparing the amount of work performed at this office with other services of the same class the clerk-hire allowance is \$1,000 more than the service requires, and I therefore recommend that it be reduced to \$400.

On June 14, Page having been transferred elsewhere, the allowance was reduced to \$800. On February 1, 1902, it was increased to \$1,100. After Beavers's resignation on June 8, the allowance was fixed upon the basis of work required at \$360 per annum.

The foregoing cases refer to clerk hire in third and fourth class offices. A hundred other similar cases could be cited. The millions that have been appropriated for that purpose during the last four years have been used by Beavers largely as an official perquisite for the benefit of his personal and political friends. The necessities of the service and the rights of postmasters, based upon the amount of work performed, have been given little consideration.

#### OFFICES OF FIRST AND SECOND CLASS.

It was, however, in offices of the first and second classes that Beavers reached his climax of reckless and criminal waste in the matter of clerk hire. Clerks were appointed in post-offices without evidence that any additional clerical help was needed, and sometimes over the protest of the responsible head of the office. Promotions were made without consulting the postmaster. Clerks were placed upon the rosters of post-offices and paid, although no service was rendered. In some instances this was done with the consent of postmasters, and sometimes over their protests. Changes were made in the titles of clerks or employees in offices in order to increase their salary (Exhibit Q-6), while the duties performed would remain the same. To illustrate:

W. Scott Towers was superintendent of Station C, of the Washing-

ton post-office. The salary of this position is fixed by law at \$2,000 per annum. On May 1, 1902, his roster title was changed to that of "cashier," and his salary advanced to \$2,200, and on January 1, 1903, increased to \$2,500. He still remained superintendent of the station and never performed any of the duties of cashier. The change in roster title was solely for the purpose of giving him more salary than the position he held entitled him to.

Cashiers have been appointed at post-offices where their services were neither needed nor desired by the postmaster. Numerous instances of this kind appear on the rolls of the first-class post-offices throughout the country. In five first-class post-offices assistant postmasters have been designated as cashiers, for the sole purpose of giving them larger salaries than they were entitled to under the law. Forty-eight clerks at first-class post-offices have been receiving salaries of from \$100 to \$400 per annum in excess of what their roster titles show them entitled to.

The wholesale disregard of the regulations by departmental officers has been considered by some postmasters as license for them to follow the same practices, and has created in the minds of many postal employees loose notions of official integrity.

At Seymour, Ind., the postmaster, on October 14, 1899, asked for an additional clerk and recommended the appointment of John B. Shepard, at a salary of \$500 per annum. On October 18, four days later, he was advised that the request must be declined, as the appropriation for clerk hire for the current fiscal year was exhausted. Eight days later, October 26, he was authorized to appoint Shepard as a stamper at \$500 per annum. On November 21, less than a month later, J. G. Wheaton was appointed a stamper at \$600 per annum. On October 30 the postmaster was authorized to appoint Otto B. Weik as a stamper in the same office at \$600 per annum. And on December 4 George A. Winkenhofer also was appointed a stamper at \$600 per annum; thus within sixty days of the date that the postmaster was advised that an additional clerk could not be allowed because of an exhausted appropriation, he was given four additional clerks. Only one of these clerks, however, Winkenhofer, was permanently retained in that office, the others having been transferred to other positions shortly after the office became classified, on January 15, 1900.

On July 1, 1902, at Louisville, Ky., Ernest S. Langley was appointed against the wishes of the postmaster, as his private secretary, at a salary of \$1,200 per annum. He was assigned to the position of secretary to the superintendent of the money-order division. Both the superintendent and postmaster state that Langley is worthless as a clerk (Exhibit Q-3) and does not earn \$500 a year.

At Wauwatosa, Wis., Walter J. Thomas was appointed stamper at \$600 per annum May 5, 1902. He was sworn in on June 13, and drew pay from that date to April 1, 1903, although he performed no service except to go to the office occasionally and draw his pay. The postmaster protested against payment to Thomas when no service was performed, but he was directed by Beavers to pay him his salary. Thomas was paid in all \$479.67, for which he rendered no service. The inspector who investigated the case (Exhibit Q-7) recommends that Thomas be required to reimburse the Department in that amount, and the case was referred to the Auditor for his consideration.

On January 12, 1899, the postmaster at Fredonia, N. Y., was directed

to appoint Minerva Jeffrey as a clerk in his office at the rate of \$600 per annum (Exhibit Q-5). The postmaster states that he never saw Minerva Jeffrey; that she did no work in his office, but that she drew pay from January 15, 1899, to June 15, 1899, \$251.66 in all; that her payments were sent by check to Washington. An examination of Beavers's bank account shows that these checks were deposited in his personal account. She was afterwards transferred from the rolls of the Fredonia office to Burlington, Vt., and her salary fixed at \$1,200 per annum. In that office she rendered service. On March 11, 1903, she was transferred to the New York post-office, where she is now employed.

Maurice Hooker was appointed a laborer in the post-office at Fredonia, N. Y., at \$400 per annum, on January 1, 1902, and though he did no work in the office he drew pay at that rate until June 30, 1903, amounting to \$600. He employed a substitute for a part of the time at an expense of about \$150.

At Fredonia, N. Y., on October 11, 1898, the postmaster was directed to appoint Frank P. Ball as laborer, at a salary of \$600 per annum, which he did; and Ball was carried on the rolls at that rate from October 12, 1898, to December 31, 1902, and paid \$2,532.07, for which he rendered no service whatever, being engaged most of the time in the ticket-brokerage business at Dunkirk, N. Y. This period covers a part of the terms of two postmasters; both of them, however, certified Ball as regularly employed.

The Auditor was notified of this irregularity, and as a result a draft was drawn against the late postmaster, Arthur R. Moore, for the amount paid Ball while he was postmaster, \$647.28, which was promptly paid. The remainder, \$1,884.79, has been charged against the account of the present postmaster, Melville H. Taylor, which he promises to pay as soon as he can secure the money.

At Dunkirk, N. Y. (Exhibit Q-9), John A. Link was appointed a laborer in the post-office on May 1, 1898, at \$600 per annum, and drew pay until June 30, 1903, without rendering service. He was a barber and continued to work at his trade during all that time. He received in all \$3,100.55, less about \$171 paid for a substitute by Postmaster Barnard; of this, \$2,626.09 was paid while F. C. Nagle was postmaster, and the remainder, \$474.46, during the term of F. B. Barnard, the incumbent.

This case was reported to the Auditor and drafts drawn for the above amounts. Nagle, the late postmaster, refused to pay, but Postmaster Barnard paid the amount due from him. Nagle, who was postmaster when Link was appointed, declines to state why he was placed upon the rolls of the office and permitted to draw pay without rendering any service.

At Baltimore, Md., on January 1, 1898, John W. Pettit was appointed an auxiliary clerk at \$200 per annum (Exhibit Q-4). He neither performed duty nor drew pay until July 21, 1898, when his salary was increased to \$600 per annum, and from that date he drew pay regularly, but performed no service whatever. On September 30, 1899, his roster title was changed to "bookkeeper" and his salary increased to \$1,500. This salary was paid him by the postmaster, although he performed no services until September 9, 1902, when two substitutes were appointed to do Pettit's work—one at \$700 and one at \$800. The salary was then paid to these substitutes until May 5, 1903, when Pettit

was assigned to duty. The postmaster says he protested to Beavers against the appointment of Pettit, stating that he was personally distasteful to him, and that he would not permit him in the office. But at the same time he certified his name to the Auditor every quarter during the entire period as a regularly appointed clerk rendering service, and made no protest to the Department, as did the postmaster at Wauwatosa, Wis. It therefore appears that by the order of Beavers and the acquiescence of the postmaster, Pettit was paid \$5,130.96, for which he performed no service whatever. This case has been referred to the Auditor with the recommendation that the amount be collected.

Since the resignation of Beavers a great deal has been done by the Department to correct the gross administrative irregularities in regard to clerk hire. The cases of Fredonia, Dunkirk, and Baltimore will be submitted to the Department of Justice for advice as to whether criminal action should be brought against the parties concerned.

There should be, either by law or departmental regulation, more specific rules governing the distribution of the appropriations for clerk hire. While both law and regulation were ignored by Beavers, yet it appears to me that too wide discretion rests with the executive officers in the disbursement of these large appropriations.

#### LEASES.

The leasing of premises and furnishing of light and fuel for first, second, and third class post-offices is under the immediate supervision of the salary and allowance division.

The statutes limit the amount of rent to be paid for a third-class office to \$400 per annum, and for fuel and light to \$60, while the allowance for rent, fuel, and light for first and second class offices is not limited by law, being left to the discretion of the departmental officials.

Formerly it was the practice of the Department in leasing premises for post-office purposes to direct an inspector to visit the city, give public notice, and invite proposals from the property owners. The inspector was required to report as to the size, quality, and rental value of the buildings offered, their desirability as to location, and any other information that would aid the Department in passing upon the merits of the proposals submitted. When sufficient information was secured, a site would be selected and a lease executed, usually for a period of five years, with a proviso that the Government might at any time cancel the lease, if the interests of the postal service required it, by giving three months' notice. Sometimes it was found necessary to omit the "three-months' clause" in order to secure the most desirable location, but these instances were very rare. In 1898 a law was enacted authorizing the Department to make leases for a period not exceeding ten years. On November 2, following the enactment of this law, the First Assistant Postmaster-General, in a letter intended as a guide to inspectors when investigating lease cases, stated (Exhibit R):

While the Department has authority to execute a lease for a period of ten years, it is not deemed advisable to do so, unless it can be demonstrated that a positive advantage to the service will be secured thereby.

It appears, therefore, that it was the purpose of the law for the Department to execute leases for a period of ten years only when such action was advantageous to the Government. This policy, however, was not consistently carried out.

## CANCELING LEASES.

On January 12, 1899, W. Scott Towers, secretary and treasurer of the Union Building Company, submitted a proposal to lease premises consisting of a room 40 by 95 feet, with one 9½ by 17 feet in the rear, for Station G of the Washington post-office, for \$3,500 per annum. This proposal was accepted, and lease executed April 1, 1899, for a period of five years. On March 6, 1903, more than a year before the expiration of the term of the lease, another proposal was submitted by Towers for a lease of the same quarters for a term of ten years at the same rental, with the "three-months' clause" eliminated. This was accepted by Beavers on March 13, a new lease executed, and the old lease canceled. The only purpose Beavers possibly could have had in accepting this proposal was to give Towers a lease on the premises for ten years longer and deprive the Department of the power to cancel it.

At Hackensack, N. J. (Exhibit R-7), on January 1, 1901, a lease was executed for post-office premises at the rate of \$600 per annum for a period of ten years. On March 15, 1902, this lease was canceled, although it had run but a year, and a new lease for the same premises, without any additional service, was executed for a term of ten years at \$900 per annum, the "three-months' clause" being eliminated.

At Hagerstown, Md. (Exhibit R-8), a five-year lease was executed July 1, 1898, at \$850 per annum, including equipment, light, and heat. In 1901 the postmaster desired some changes in the arrangement of the post-office that would cost about \$400. The lessor declined to make the alterations unless the lease should be canceled and a new one made at a rental of \$1,100 per annum. Assistant Superintendent Norris, who examined the premises, reported against the change in the lease; but in the face of this recommendation the lease was canceled a year and a half before it expired and a new one executed for a period of ten years at \$1,100 per annum.

At Weehawken, N. J. (Exhibit R-9), on July 1, 1900, a lease was executed for ten years at \$500 per annum, including all equipment, heat, light, etc. On July 1, 1902, eight years before the lease expired, it was canceled and a new lease entered into for the same premises and the same equipment at an annual rental of \$800.

At Fredonia, N. Y. (Exhibit R-10), on April 1, 1896, a lease was executed for a period of five years, including light, heat, furniture, fixtures, and a vault, for \$500 per annum. On September 1, 1899, almost two years before the expiration of this lease, it was canceled and another lease executed for the same premises at an annual rental of \$900 per annum. For this increased rental the Department received no service that was not required in the canceled lease.

At Hastings, Nebr., on May 1, 1897, a lease was entered into for post-office premises for a period of five years, including light, heat, vault, and equipment, at an annual rental of \$700 per annum. In March, 1901, the lessor was notified that the lease would be canceled on June 30, almost a year before its expiration. Shortly after this a proposal was accepted for another building, no more desirable in any way for post-office premises, at an annual rental of \$1,800, including equipment, heat, and light. A most vigorous protest was filed against this action of the Department by those interested in the canceled lease,



and the matter was referred to an inspector for investigation, who, on April 17, 1901, reported as follows:

Viewed from the standpoint usually assumed by the Post-Office Department in the treatment of lease cases, and eliminating all questions of personal interest, I am unable to conceive what possible representations could have been made to the Department in this case to result in the entertainment and acceptance of the proposition of Mr. Dietrich at the price named (\$1,800 per annum). The proposition is exorbitant, and the location one that, if in competition with other propositions offering central locations at two-thirds the price asked, could not conscientiously be considered, except in the case of nominal rental for the same. \* \* \* My best judgment in this case, after a careful study of the same, prompts me to make the following recommendations:

First. That the lease at present in force be allowed to continue until the time of expiration (May 1, 1902), even though it should become necessary (by reason of the serving of the notice that the same would be canceled June 30, 1901) to pay an additional rate of \$200 per annum. \* \* \*

Second. That when the proper time arrives for the consideration of a new lease for the premises for the use of the Post-Office Department at Hastings, Adams County, Nebr., that it be brought to the attention of the public through the customary advertisement and otherwise given the treatment usually accorded such cases.

The recommendations in this report were not followed, but the price of the new site was reduced to \$1,300 per annum, with the proviso that the Department should pay the expense of moving and installing the equipment and provide heat and light. The office was moved at an expense to the Department of \$746. After viewing the premises to determine whether the terms of the proposal had been complied with, the same inspector, who in the meantime had become an assistant superintendent of salaries and allowances, reported that:

The foundation for a respectable post-office in this instance is lacking, and as a business proposition from the standpoint of the Department the situation is far from being satisfactory to me. The question of the legality of a contract with a Senator-elect is a matter that should receive consideration in connection with this case.

This lease has never been executed by the Postmaster-General, though the office was moved and the Department has been paying for over two years this advanced rent of \$600 per annum for less desirable premises, with an additional expense of \$200 for heat and light.

At Piqua, Ohio, in February, 1898, five proposals for a five-year lease were submitted, all agreeing to furnish complete equipment, heat and light, at \$1,000, \$900, \$860, \$900, and \$1,000, respectively. The proposition of William P. Orr at \$1,000 was accepted and a lease executed. On December 21, 1899, after it had run less than two years, this lease was canceled and another executed at \$1,370 per annum, without light, and an allowance of \$200 was made for lighting the premises, making an expenditure of \$1,570, the Department receiving no service additional to that required by the canceled lease.

At Dunkirk, N. Y., a five-year lease was executed March 1, 1898, at \$450 per annum, including fixtures, with an additional allowance of \$115 for light and fuel, making \$565 in all. On February 21, 1899, the postmaster complained that the room was inadequate, and inclosed a proposition from T. P. Hefferman to erect a new building and furnish a room therein, with furniture and heat, at \$1,250 per annum. On February 27 the postmaster was advised that the proposal of Hefferman could not be entertained, and that it was

not deemed advisable to disturb the existing lease of the present post-office premises, which lease was made about two years ago. You are further informed that the rental involved in Mr. Hefferman's proposition is altogether too high to receive favorable consideration by the Department.

On December 18, 1900, the postmaster again wrote that the room was inadequate, and stated that—

L. F. Stearns contemplated the construction of an office building and would like to use the first floor for a post-office.

The Stearns proposal was to furnish a room fully equipped with furniture, heat, and light for an annual rental of \$1,500. The inspector who made the investigation, on January 5, 1901, reported:

I informed Mr. Stearns that I would submit his proposition to the Department. At the same time I told him that I did not believe the Department would pay that amount of money for rent of post-office premises at Dunkirk, N. Y., as the place was not large enough to warrant it.

On January 17 the postmaster was advised:

The rental demanded by Mr. Stearns is so much of an increase over the sum now allowed that it is impracticable to take favorable action in the matter at this time, and you are requested to confer with Mr. Stearns and secure, if possible, a reduction to at least \$1,200, which is all the Department deems proper to allow.

Finally, after further correspondence (Exhibit R-5), on February 11 the Stearns proposition, which included a complete equipment of boxes, fixtures, furniture, etc., was accepted at \$1,350; and on October 15, 1901, following, a lease for ten years was executed with the "three-months' clause" eliminated, and the office moved. On January 27, 1902, about three months from the date of execution of this lease, it was canceled and another executed at a rental of \$1,500 per annum. And again on May 14, less than four months afterwards, this \$1,500 lease was canceled and another one executed for a period of ten years, at a rental of \$2,000 per annum, with the "three-months' clause" eliminated.

No additional service was provided for in any of the subsequent leases to that included in the original, at \$1,350 per annum. Inspector Cochrane, of the New York division, in referring to this case, says (Exhibit R-21):

Mr. Stearns informed me that the first contract was made at \$1,350 per annum, but stated that there had been an inside understanding with the Government that the rate would be advanced; and, further, that the allowance was accordingly made to \$1,500 per annum, and later to the present rate of \$2,000 per annum.

It will be observed that instead of using this authority given by Congress to make long-time leases to secure better buildings for less money, it has been used for the benefit of "grafters" who seek to pillage the public revenues. Why should a lease be made at all if it is to be canceled in a few months without cause? The most charitable conclusion that can be drawn from Beavers's action in canceling these leases is that by the lavish waste of the public money he sought to secure the good will of men prominent in political life.

#### INCREASING RENTAL OVER AMOUNT OF PROPOSAL.

As a rule, there is an active interest in every community in the location of the post-office, and numerous proposals are submitted by the property owners. After considering the reports of the inspectors and accepting one of the proposals Beavers, in making the lease, frequently increased the rental above that called for by the proposal. To illustrate:

At Anderson, S. C., additional room was desired for the post-office.

An investigation was made by an inspector, who forwarded a proposal for \$550 per annum and recommended its acceptance. When the lease was executed, however, the amount was arbitrarily increased at the Department to \$600 per annum.

At Appleton, Wis., a proposal was submitted to furnish premises for a period of five years from January 1, 1900, with complete equipment, heat, light, etc., for \$1,100 per annum. After investigation this proposal was recommended by an inspector as second choice. It was accepted by the Department, but when the lease was executed it was made for a period of ten years at \$1,350 per annum, with the "three-months' clause" eliminated.

At Lancaster, Ohio, on December 19, 1899, a proposal was submitted to lease a room in the city building for five years from April 1, 1900, with full equipment, heat, and light, at \$500 per annum, which was accepted. But when the lease was executed the rental was fixed at \$800 per annum. No additional service was secured for the Department other than that provided for in the \$500 proposal.

At Lyons, N. Y. (Exhibit R-4), a proposal was submitted for premises, including equipment, light, and heat, at \$600 per annum. When the lease was executed the rent was increased to \$800 per annum, without any additional service than that provided for under the \$600 proposal.

At Sidney, Ohio, on June 20, 1902, four proposals were submitted for premises with full equipment, light and heat furnished, at \$874, \$880, \$900, and \$1,000, respectively. The proposal at \$880 was accepted. When the lease was executed, January 1, 1903, the rental was fixed at \$1,200 per annum. This was done without readvertising or consulting anyone interested in the other proposals that were rejected.

At Plattsmouth, Nebr., the Department was paying \$360 per annum rent and an additional allowance of \$60 for fuel and light, making a total of \$420. The owner of the building in which the office was located, on July 7, 1902, submitted the following proposal:

In regard to the proposition of the rooms for post-office, I would state that the post-office now occupies two rooms. The intention in remodeling these rooms is to take out the partition and make one big room, which would be 39 by 46 feet, inside measurements. The new improvements, including fixtures, etc., and the remodeling of the room, as we expect to do it, would cost at least \$1,500. At the present time, without any work being done on them at all, these rooms would rent for \$60 per month—just what I ask for the post-office. As we have been unable to get a Government building here, we are desirous of having our post-office fixed up as conveniently as we can under the circumstances, and for that reason I am willing to expend this amount on the rooms if the Government will make a four-year lease.

The question was investigated by an assistant superintendent, and the owner, in consideration of a ten-year lease, submitted a proposal at \$700 per annum, which the assistant superintendent recommended be accepted. When the lease was executed the rental was increased to \$1,200 per annum, without any additional service than that provided for under the \$700 proposal.

The foregoing are but samples to illustrate Beavers's methods of administration. The records indicate that many of these arbitrary increases in rent were made upon the recommendation of members of Congress. A list of over 40 cases is submitted (Exhibit R) where increase was made over the amount called for by the proposal accepted.

## RENTALS INCREASED WITHOUT CHANGING LEASE.

Beavers would frequently increase the annual rentals without disturbing the lease or in any way changing its provisions. To illustrate:

At Ypsilanti, Mich., on July 18, 1898, the owner of the building where the office was located submitted a proposal for re-leasing the premises at \$700 per annum, an increase of \$50 over the former rental. On November 17, 1898, the proposal was accepted and a lease executed for ten years at that amount. On March 28, 1902, five years before the expiration of the lease, Beavers sent the following notice to the Auditor:

Referring to the lease of the post-office premises at Ypsilanti, Mich., on file in your office, I beg to inform you that it has been decided to increase the allowance for rent for the Ypsilanti post-office premises from \$700 to \$900 per annum, to take effect April 1, 1902.

This additional rent has been paid ever since, for which the Department has received no additional service.

On April 1, 1902, a lease for the premises occupied by Station B, Toledo, Ohio, was executed for a period of five years, at \$500 per annum, to include equipment, heat, and light. On June 9 following the owner of the building wrote A. W. Machen and asked him to secure an increase in the rental to \$800. This letter was indorsed as follows:

Respectfully referred to Mr. George W. Beavers, with the request that the same be given favorable consideration.

A. W. M., *General Superintendent.*

On June 26, 1902, Beavers wrote the postmaster as follows:

Referring to the matter of the lease of the premises occupied by Station B of the Toledo post-office, you are informed that it has been decided to increase the rental from \$500 to \$800 per annum from July 1, 1902, to extend during the balance of the term of the lease—i. e., until April 1, 1906.

And on the same date the following letter, initialed by Beavers, was sent to the Auditor:

I beg to inform you that it has been decided to increase the rental for the premises occupied by Station B, Toledo, Ohio, from \$500 to \$800 per annum, to include heat and light, effective July 1, 1902, and to continue during the balance of the term of the lease.

This information is submitted to be placed on file with the lease in your office.

After the property owners in a city have been invited to submit proposals for leasing premises for post-office purposes, and such proposals have been considered by the Department, a site selected, and lease executed in accordance with the provisions of such proposal no departmental officer should increase, either by direct or indirect method, the rental provided for in that lease without receiving an additional increase of service. It would be far better to reopen the case and again submit the proposition to the property holders for their consideration. The arbitrary increase of rentals by departmental officers because of the political influence of the lessor is a flagrant injustice to those whose bids are rejected. It enables the man with a political or personal "pull" to bid lower than others and then by intrigue secure increased compensation. Such a policy is not only grossly unjust to the property owners whose proposals are submitted in good faith, but opens wide the doors to official corruption and fraud.

## ASSISTANT SUPERINTENDENTS.

In 1901, at Beavers's solicitation, the position of assistant superintendent of the salary and allowance division was created and a number of such officers appointed to work under his direction in the investigation of matters relating to leases and clerk-hire. This work had always been done by the regular force of inspectors who were under the direction of another bureau of the Department. Such an organization had always been thought wise, the one bureau in a measure serving as a check upon the other. The inspector investigated lease cases and reported the facts to the Department with his recommendation. These reports were then referred to the First Assistant Postmaster-General for his information in making the leases. If the inspectors discovered any irregularity in the leasing of premises, or failure of the lessor to fulfill his contract, he was required to report that fact to the Department. The inspectors, however, acted only in an advisory capacity—they reported the facts and made recommendations. The decision was with the First Assistant Postmaster-General. He could accept, modify, or reject the inspectors' recommendations. If a report was not satisfactory to the officers of the First Assistant Postmaster-General's bureau, a reinvestigation by another inspector would be requested, and in that way additional information was secured before the lease was executed.

Beavers's purpose in securing assistant superintendents was to get control of the investigation of lease and clerk-hire cases. The recommendations of the inspectors were not always in line with his wishes, and their reports sometimes made it embarrassing for him in carrying out his schemes. After these assistant superintendents were appointed some of them fell into Beavers's methods of doing business. To illustrate:

At Troy, N. Y. (Exhibit R-13), on April 20, 1902, a proposal was submitted to furnish a room for the Lansingburg Station for \$500 per annum, which, upon Assistant Superintendent White's recommendation, was accepted. In a report dated January 6, 1903, White stated that while negotiating the lease it was intimated that \$450 would be a satisfactory rate, but he says:

It was evident to my mind at the time that the prospective lessors had a very indefinite idea what an equitable rate of rental would be, and I personally encouraged them to make it \$500.

In this report, made six months after the proposed lease had been accepted, White further suggested that the rental be increased to \$550 per annum, and the lease was executed at that rate.

At Penn Yan, N. Y. (Exhibit R-15), on October 1, 1902, upon the recommendation of White, a proposal was accepted to lease premises for ten years at \$800 per annum. In March, 1903, White, in a report to Beavers, suggested that he did not think the lessor's contract was a very lucrative one, and that if he saw fit the rent might be increased to \$850 or \$900.

At Little Falls, N. Y., on January 28, 1902, a proposal was accepted for the lease of premises with full equipment, light and heat, for a period of ten years, at \$1,250 per annum. In equipping the building the lessor states his expenses were \$518 more than he had estimated (Exhibit R-16), and because of this additional expense Assistant Superintendent White in his report says that—

Under the circumstances now existing at Little Falls, N. Y., I am of the opinion that it would be no more than equitable to increase the rate of rental from \$1,250 to \$1,500 per annum, which amount I respectfully recommend as the rate of rental in the lease which is to be executed.

The recommendation was approved and the lease executed for ten years at \$1,500 per annum. The lessor doubtless would be glad to expend \$518 more on the same terms.

White told the inspectors that he received a request from Beavers by letter to recommend this increase in the rent (Exhibit R-16).

Other matters of a routine character have come to my attention during this investigation that reflect upon the efficiency of Assistant Superintendent White and others, which will be referred to the First Assistant Postmaster-General for his consideration.

#### CONTRACTS WITH CONGRESSMEN.

Section 3739 of the Revised Statutes provides:

No Member of or Delegate to Congress shall, directly or indirectly, himself, or by any other person in trust for him, or for his use, or benefit, or on his account, undertake, execute, hold, or enjoy, in whole or in part, any contract or agreement made or entered into in behalf of the United States by any officer or person authorized to make contracts on behalf of the United States.

The statutes further provide:

All contracts or agreements made in violation of this section shall be void.

Yet in the face of this statute, Beavers has made contracts with members of Congress for the rental of premises, either in their own names, the names of their agents, or some member of their families.

A careful investigation, however, does not show that the Government has been defrauded by the payment of excessive rentals to members of Congress either directly or indirectly. So that while the law has been openly violated, the Department has sustained no money loss. I recommend, however, that all leases where a member of Congress is a party be canceled and leases executed in conformity with the statutes.

There is no evidence to indicate that Beavers's reckless and high-handed proceedings in the matter of leases was the result of any general scheme of corruption or blackmail on his part. There may be individual cases where he received money, but evidence to that effect has not been secured. His purpose seems to have been to place members of Congress and influential politicians under personal obligations to him. In this he was very adroit. When a member of Congress receives a letter from a constituent stating that the Government is not paying him sufficient rent for his building, it is but natural that the Congressman should refer that letter to the Department, asking that the matter be given proper consideration, and at the same time write his constituent that he would "do what he could for him."

The executive officer is expected to do his duty in accordance with the law and the practice of the Department. Congressmen, as a rule, want their constituents to have what they are justly entitled to and no more. It is true that there are occasional exceptions to this rule, but happily such exceptions are few. But whatever may be the request of the Congressman, the executive officer has a plain duty which the member of Congress expects him to perform. Congressmen frequently ask executive officers to do things which they themselves would refuse to do if the responsibility of decision was upon them. The traditions of American politics afford many instances of this kind.

Beavers frequently complied with the requests of Congressmen in a lawless manner. He would then advise the Congressman that he had complied with his recommendation and also write the constituent in whose interests the Congressman's request had been made, that his rent or clerk-hire allowance, as the case might be, had been increased upon the recommendation of his member of Congress; to illustrate:

At Manhattan, Kans., on February 15, 1902, a lease was executed for post-office premises, including equipment, heat, and light, for a period of ten years at \$600 per annum (Exhibit R-20). After the lease had run a year, the lessor concluded that he would like to have more rent for his premises, and he wrote his member of Congress to that effect. The Congressman took the matter up with the Department, and as a result the rent was increased to \$850, without any change in the provisions of the lease. On March 7, 1903, the following was written the postmaster:

Upon the recommendation of Hon. W. A. Calderhead, it has been decided to grant an additional allowance for rent of the premises occupied by the post-office at Manhattan in the sum of \$250 per annum, effective March 1, 1903, this allowance being in addition to the sum authorized under the lease, viz, \$600 per annum, including equipment, heat, light, etc., for a term of ten years from February 15, 1902. You are therefore authorized to pay rental at the rate of \$850 per annum from March 1, 1903, until otherwise advised. The present lease will not be disturbed.

On the same date the Auditor for the Post-Office Department was advised:

On account of increased service at the post-office at Manhattan, Kans., the expense to the lessor for additional furniture, fuel, light, etc., has been considerably increased. It has therefore been decided to grant an allowance of \$850 per annum from March 1, 1903, to cover equipment, heat, light, etc., being an increase of \$250 on the sum authorized in the lease on file in your office.

No additional service was received by the Department for this \$250 increase in the rental. The letter to the auditor was initiated by Beavers and signed by the First Assistant Postmaster-General. The lease as signed by the Postmaster-General was not disturbed, yet by the act of a subordinate the expenditures under this contract were increased \$2,250.

I do not offer any criticism against the Congressman. He did what members of Congress usually do in representing the interests of their constituents before the Department, and had a right to expect that the executive officer would do his duty in accordance with the interests of the public service.

The reckless administration of Beavers has caused a large increase in the amount of appropriations for rent for post-office premises. During the five years prior to July 1, 1898, the appropriation for rent, light, and heat increased from \$1,359,149 to \$1,600,000, or approximately \$240,000, while for the five years from 1898 to 1903 it was increased from \$1,600,000 to \$2,350,000 per annum, an increase of \$750,000, or \$500,000 greater than for the preceding five years. A part of this increase doubtless is legitimate, being the result of a general advance in rental values, but much of it has been the result of maladministration.

Considering the many irregularities in connection with the leasing of premises, such as the canceling of leases before their expiration, the arbitrary increase of rentals without any equivalent increase in service, the binding of the Department for ten years to such leases by eliminating the "three-months' clause," and the voluntary advances of rentals

above the amount called for in proposals, I would respectfully recommend that all such cases be referred to inspectors for special investigation, in order that the Department, when the reports are received, may take such action as the interests of the service may require.

#### BRANDT AUTOMATIC CASHIERS.

The charges relating to the purchase of automatic cashiers were investigated by Inspectors Little and Oldfield, whose reports are submitted herewith as Exhibits S and T.

Prior to 1898 the large-sized post-offices were furnished with "coin trays." These were made with grooves of proper size to fit the various pieces of American coin, from 1 cent to \$1. This rack could be placed on the counter near the stamp clerk, and was a convenience in enabling the clerk to make change rapidly. The prices of these coin trays were from \$5 to \$12, depending upon the size and construction. They appeared to be entirely satisfactory, as there is no evidence, so far as the records of the Department show, of requests on the part of postmasters for any other change-making device.

During the summer of 1898, a number of the Brandt-Dent automatic cashiers were placed in 15 post-offices for the purpose of testing their desirability as a change-making device. The mechanism of this machine is such that by depressing the appropriate key the exact amount of change indicated by such key will be given out. There is another form known as the "computer," which, by touching the key, will give the required amount of change and also register the amount of the purchase. The price of these machines in the open market was \$125. They were manufactured by The Edward J. Brandt-Dent Company, of Watertown, Wis., of which Edward J. Brandt was president.

At this time Winfield S. Strawn, of Canton, Ohio, was the superintendent of agencies, with an office in New York City. In November, 1898, George F. Miller, also of Canton, Ohio, was designated as the Washington agent. His business was to secure the adoption of the cashier in the postal service.

Postmasters at the offices where the tests were being made were directed by First Assistant Postmaster-General Heath to submit reports on the merits of the machine after it had been used a sufficient time to warrant an opinion.

The postmaster at Chicago on May 31, 1899, reported (Exhibit T-1) that of the four machines sent to that office only one could be used; that the clerks outside of the cashier's office did not want them, and that he did not like to force their use against the wishes of the clerks. The postmaster at Boston (Exhibit T-2) reported favorably upon the machine. The postmaster at Philadelphia (Exhibit T-3) said that he could use two, but that the time saved would not enable him to reduce his office force. The postmaster at Washington (Exhibit T-5) transmitted, without comment, the statements of his subordinates who had used them, and no reports seem to have been received from the other offices.

The Boston postmaster was the only one of the fifteen to whom the machines were sent who recommended their adoption. The three sent to Chicago that were not wanted were ordered shipped by registered mail to San Francisco, though there is no evidence that the postmaster at that city desired them.



Judge George E. Baldwin, of Canton, Ohio, is the father-in-law of Miller, the Washington agent of the company, and was active in his efforts to secure the adoption of these machines by the Department. The methods employed to accomplish this result are clearly set forth by the correspondence between Brandt, president of the company, and Strawn and Miller, his agents (Exhibit S). On February 20, 1899, Miller wrote Brandt as follows:

I met Mr. Beavers on the street yesterday, and he was very pleasant indeed; asked me if you were still in the city, and said upon leaving that he would like very much to do everything he could toward the adoption of the cashier in the Post-Office Department, and also said that he understood General Heath had arranged a plan with Judge Baldwin for carrying this matter into effect, so that I am satisfied that we have the assurance and friendship of both parties—General Heath and Mr. Beavers—and all that is necessary is to cultivate that friendship, if not by kind words, by dollars and cents, and I think the latter will be the most positive. However, the lines we have out now will result in a change of programme which means our ultimate success.

Six weeks later Strawn wrote Brandt from New York that Miller had left that day for Washington, having—

succeeded in a plan to effectively reach Mr. Beavers, through a Brooklyn Congressman.

And on March 30, the following day, Miller wrote Brandt from Washington, as follows:

Mr. Strawn and myself interviewed Congressman Driggs yesterday in Brooklyn.  
\* \* \* Matters are moving very satisfactorily in all branches of Government supplies.

On April 6, Miller, after a conference with his father-in-law, Judge Baldwin, at Canton, Ohio, wrote Strawn as follows:

Mr. Baldwin has been busy in court, and I have not discussed as yet fully all matters in regard to Government supplies. He would not advise any action of an arbitrary character at this time, but would request that we allow matters to proceed on the lines indicated, and if General Heath fails to show his hand the means are in our possession to make him do so. He does not even advise writing anything, but giving them a full opportunity of testing their promise, and this failing, another action will be brought through Postmaster-General Smith that will mean success. He also says to find out, if possible, exactly what this man Beavers wants to insure our success in that Department, in the way of dollars and cents, but not to give it to him unless forced to do so, and when we do, if at all, he desires to be present in person himself and plan the agreement, but says it is not even time to think of this move.

Miller, after his conference with Baldwin, the result of which is set forth in the above letter, returned to Washington, and on April 10 wrote Brandt:

Arrived from Ohio this morning and am very much pleased with success of my trip. Judge Baldwin has positive assurance of a nature that I can not disclose for fear of the letter miscarrying, but sufficient to say that time will surely bring a successful result in the Post-Office Department. I not only have the assurance through him, but I received a telegram and a letter this morning from Congressman Driggs, of Brooklyn, N. Y., whom I wrote you about, and who came to Washington last Friday and returned on account of my absence, and who desires my presence in New York to-morrow morning at 10 o'clock.

Miller visited New York, as indicated above, and on April 25 again wrote Brandt:

I returned from New York, at which place I have been for the past ten days working on a proposition for a general supply in the Post-Office Department of the United States, and am glad to say that I have successfully formulated a plan which has been approved officially, and of which Mr. Strawn has investigated the outline of but is not in possession of the details, nor will he be or anyone else until a satisfactory arrangement can be made that will meet your approval before action can be taken.

I can not discuss the details, as they are sacred, and owing to the prominence of the parties interested will say nothing at this time in regard to the same.

After returning to Washington, Miller seems to have had a conference with J. H. Crew, a clerk in the Post-Office Department, who is a relative of Strawn's. On April 27 he wrote Strawn as follows:

I also told Crew I had made a deal, but did not say to him any of the points of interest. I think in a job of this kind the fewer who know it the better, and no fear of me giving anything away which is sacred to me as this is.

The time now appeared to be ripe for closing the matter, and Strawn and Brandt both seemed to think that Judge Baldwin's presence was desirable; so, on May 1, Strawn wrote Baldwin as follows:

I understand you are aware of Mr. Brandt being present here in the East, through advice of Mr. Miller at Washington. He arrived on Friday at Washington, where Mr. Miller and I met him, and we spent Friday and Saturday discussing the plan of organizing a sales department and the mode of procedure of closing an important supply contract with the United States Post-Office Department, which Mr. Miller has in appearance for finally closing now within a few days; and in discussing the details of above matter Mr. Brandt expressed himself that he would be much pleased to have your presence and conference in the matter, and believed that Mr. Miller would feel and be better satisfied.

In response to this invitation Baldwin came to Washington and held a conference with the parties interested, and as a result First Assistant Postmaster-General Heath, in a letter dated May 9, notified Miller that—

It has been decided to arrange for the payment for the Brandt automatic cashiers already installed some time during the current month. \* \* \* The Department has also decided to purchase 250 of your machines for installation at first-class post-offices during the forthcoming fiscal year.

On May 19 Miller acknowledged Heath's requisition as follows :

As to payment for cashiers now placed, for which bills have been rendered, payment this month is acceptable and will be appreciated. Your valued requisition for 250 automatic cashiers during the forthcoming fiscal year will be complied with. \* \* \* We will supply cashiers at the rate of 50 each month, delivery beginning with July, 1899, \* \* \* at \$150 per cashier.

It therefore appears that after these extensive negotiations a contract was finally made by the First Assistant Postmaster-General for the acceptance of the 39 machines already placed in offices on trial, and for 250 additional machines at \$150 each. With the exception of a slight change in the base these machines were exactly the same as those that were sold in the open market for \$125.

It is very apparent from the foregoing correspondence that Miller, Strawn, Baldwin, and Brandt did not depend upon the merits of their device or the necessity for its use in the postal service to secure its introduction.

At the time this order for 250 machines was given there was not a request on file from postmasters for such machines, and a majority of the 39 in use probably could have been withdrawn and returned to the factory without protest from a single postmaster.

A systematic effort was made to induce postmasters to make requisition for these machines in order to dispose of the 250 ordered. Miller, the representative of the company, visited a number of the larger cities and informed the postmasters that they could get these machines from the Department if they would make requisition for them. But few requisitions came in, as the subject did not interest the postmasters. Beavers then prepared a letter, which was signed by the First

Assistant Postmaster-General and sent to postmasters at the larger offices, in substance as follows:

I have to advise you that one Brandt automatic cashier, of the Edward J. Brandt-Dent Company, of Watertown, Wis., at \$150, has been ordered for your office. It has been satisfactorily demonstrated to this Department that the automatic cashiers are labor savers and absolutely correct and reliable in connection with the sale of stamp supplies and money-order transactions. No bills for this machine are to be rendered at this time, and payment therefore must not be made until specially authorized by this office.

After the machine had been in the office for some time another letter would be forwarded to the postmaster authorizing him to pay for it. At some of the larger offices the postmasters objected to paying for them, stating that their miscellaneous allowance would not admit of such expenditure. But they were informed that their allowance would be increased the amount necessary to pay the bill. In some instances the postmasters were not prompt in paying for the machine, hesitating to spend the money for what they considered an unnecessary device. In such instances they were instructed by Beavers to "pay the bills promptly."

Miller not only visited the large offices, but he wrote letters to practically all of the postmasters at first and second class offices in the United States, advising them that if they would make requisition on the Department for a Brandt automatic cashier it would be furnished. But regardless of these industrious efforts to induce postmasters to ask for these expensive change-making devices, the requisitions came in slowly, and finally they were sent out in large numbers without requisition.

After the 250 had been disposed of, additional orders were given until 527 machines had been purchased by the Department, 217 of which were shipped to postmasters without requisition. Postmasters did not always readily acquiesce in the use of this device. It will be remembered that the postmaster at Chicago, in his report in regard to the four machines sent him for testing, stated that he could use but one. This report by the postmaster was made on May 31, 1899. On July 25, less than two months later, nine additional machines were shipped to Chicago for use in that office, and the postmaster was directed to pay \$150 each for them. Of the ten supplied in this manner only three are in use, the others being stored in the vault. A cashier was sent to the Keokuk, Iowa, post-office, and on February 7, 1900, the postmaster wrote as follows:

I do not consider this cashier of any value whatever. It is not correct, and is not labor saving; in fact, we do not use it. I give you this information for the reason that I do not think the Department should adopt and buy these cashiers.

Again on June 21 he wrote:

The machine works satisfactorily, but our clerks prefer the other mode of making change, and it is my opinion that this cashier is an unnecessary expense.

And on June 28, in answer to this letter, Beavers, as Acting First Assistant Postmaster-General, wrote him as follows:

Relative to the automatic cashier in your office, you are directed to put the same into active use, as it is the desire of the Department to have a uniform system in the matter of handling cash in the larger post-offices.

It is difficult to understand what interest the Department could have in a systematic method of making change in the larger offices. Postmasters and the clerks under them, or their bondsmen, are held

responsible for money due the Government, and no more ridiculous suggestion could have been made than that the Department was interested in the method of making change by the postmaster or his clerks.

These friendly suggestions from the postmaster at Keokuk were resented, and a request from him for an allowance of \$9 to purchase some miscellaneous supplies needed in his office was unceremoniously declined, though he was ordered to pay \$150 for the cashier.

A short time after this investigation began a letter was directed to all the postmasters at the offices where automatic cashiers were in use and inquiry made as to their utility. The following are samples of the replies received (Exhibit T):

San Francisco, Cal.: In storeroom; not considered of practical value.  
 Savannah, Ga.: Not adapted for use in sale of stamps.  
 Moline, Ill.: Can not use to any advantage.  
 Evansville, Ind.: Not adapted to business in this office.  
 Fort Wayne, Ind.: Considered slow and impracticable.  
 Indianapolis, Ind.: Use not considered advantageous.  
 Clinton, Iowa: Can not use to good advantage.  
 Newport, Ky.: Clerks do not like it.  
 Portland, Me.: Not adapted to work of this office.  
 Hagerstown, Md.: Unnecessary.  
 Holyoke, Mass.: Not reliable.  
 New Bedford, Mass.: Don't like it.  
 Grand Rapids, Mich.: Unsatisfactory after test.  
 Kalamazoo, Mich.: Refused to accept it. Not wanted. Sent to postmaster, Oak Park, Ill.  
 Kansas City, Mo.: Have seven machines, four not needed.  
 Asbury Park, N. J.: Not needed.  
 Jersey City, N. J.: Can not use to advantage.  
 Albany, N. Y.: Reliability doubted.  
 Schenectady, N. Y.: Clerks will not use it.  
 Syracuse, N. Y.: Too much time lost in refilling.  
 Troy, N. Y.: Clerks preferred not to use it.  
 Watertown, N. Y.: Have no use for it.  
 Allegheny, Pa.: Can make change quicker without it.  
 Sioux Falls, S. Dak.: Impracticable for money-order business.  
 Chattanooga, Tenn.: Unsatisfactory.  
 Memphis, Tenn.: Clerks can do better without it.  
 Austin, Tex.: Employees can not use it.  
 Richmond, Va.: Unsatisfactory.  
 Oshkosh, Wis.: Used one month; impracticable.

Nine of these machines were sent to Baltimore; 4 of them are in use, the others stored. Eighteen were shipped to Philadelphia, of which only 11 are used. Twenty were forwarded to Boston, of which 2 are now in use and the other 18 stored in the basement of the post-office. Twenty were sent to New York, only 1 of which is used, the other 19 being an encumbrance to the office.

Of the 527 machines purchased, 173 are idle; many of these have never been taken from the cases in which they were shipped. The remainder are being used to a greater or less extent. In many of the offices where the machine was of no particular benefit it was ordered returned to the factory, and another machine, alleged to be an improvement on the old one, would be forwarded and the postmaster ordered to pay \$25 additional to the company for the exchange, though there was practically no difference in the machines. Seventy-four such exchanges were made. The aggregate amount of money paid to the Brandt-Dent Company for these useless cashiers was \$74,275.

A summary of the foregoing demonstrates that the machine was unnecessary; that it was not so desirable or convenient for postal pur-

poses as the "coin tray," which it was to displace, though it cost from twelve to thirty times as much; that the Department contracted for 250 of them and paid \$25 each more than they were selling for singly in the open market, and continued to pay this increased price until 527 had been ordered.

Eliminating from consideration all indications of fraud, and passing upon the case wholly as a question of administrative judgment, it appears to me that this transaction would have justified the summary removal from office of First Assistant Postmaster-General Heath and George W. Beavers.

But the element of fraud can not be eliminated. Men of ordinary intelligence rarely waste the public revenues in such a manner without a personal motive. A bribe of \$12,500 was paid to secure this order for 250 machines. It appears that the company was not willing to pay this amount outright and risk having the order canceled or annulled because of some administrative accident or possible exposure; so that Miller, Strawn, Driggs, and Baldwin spent weeks in devising a scheme by which the company would not be required to pay the bribe until the "goods were delivered," and at the same time secure to the bribetakers their share of the spoils. The scheme finally agreed upon is indicated by a resolution of the board of directors of the company, passed on May 25, 1899, which provides (Exhibit S):

That we will proceed to manufacture and deliver the machines as proposed in said letter, and that in order to make a partial payment to apply on the commissions due George F. Miller and W. S. Strawn, on this sale, the president and secretary are hereby authorized to sign and deliver a note for \$12,500 in favor of George F. Miller, or order, and charge that amount to the accounts of George F. Miller and W. S. Strawn as their interest in the commissions may appear, it being mutually understood and agreed that as fast as settlements are received from the United States Post-Office Department for the machines delivered on this order we will pay \$50 cash for each machine settled for. Such payments to be applied and indorsed toward reducing the obligations of the company under the above authorized note, and that no obligation accrues until cashiers are paid for at \$150 each.

A copy of the note referred to above was attached to the resolution. It reads as follows:

WATERTOWN, Wis., May 25, 1899.

For value received we promise to pay George F. Miller, or order, \$12,500, without interest, on receipt of proceeds of sale by The Edward J. Brandt-Dent Company of 250 or more automatic cashiers, sold May 19, 1899, to the United States Post-Office Department.

The EDWARD J. BRANDT-DENT COMPANY,  
EDWARD J. BRANDT, *President*.  
ROBERT M. DENT, *Secretary*.

This note was duly executed and delivered to Miller, and by Miller assigned to Congressman E. H. Driggs, of Brooklyn, heretofore referred to in the correspondence between Brandt, Strawn, and Miller.

The commission allowed Miller and Strawn on ordinary commercial business was 45 per cent; but on this order of 250 machines for the Post-Office Department the board of directors, on May 27, 1899, increased that commission to 66½ per cent, by the following resolution (Exhibit S):

*Resolved*, That instead of the commission allowed that may be due W. S. Strawn and George F. Miller on order from United States Post-Office Department, dated May 19, 1899, for 250 special automatic cashiers, at \$150 each, E. J. Brandt, president, is hereby authorized to make a special agreement for the commission on the above-mentioned order, whereby this company will allow Messrs. Miller and Strawn a commission of 66½ per cent on 250 cashiers, at \$150 each, sold to United States Post-Office Department.

Sixty-six and two-thirds per cent of \$150 is \$100, which represents the commission that Miller and Strawn received on each of these 250 machines. This \$100 was divided with Congressman E. H. Driggs, of Brooklyn. The \$150, therefore, paid by the Department was divided as follows: Driggs, \$50; Strawn and Miller, \$50; company, \$50. The cost of manufacturing the machine was, as nearly as can be ascertained, between \$17 and \$25, leaving a very good profit for the company after commissions were deducted. Driggs received \$50 on each machine when paid for by the Department, which payments he credited upon the note for \$12,500. Sixty-nine payments were made, mostly by draft, the last payment being November 5, 1900, when the note was canceled and returned to Miller, and by him delivered to Brandt, by whom it was destroyed.

Driggs admits that he received the \$12,500, but denies that he ever paid any part of it to Beavers or to any other post-office official. The inspectors, however, have conclusive proof that he did pay a part of this money to Beavers, the evidence of such payments now being in the hands of the United States district attorney for the eastern district of New York. Heath states (Exhibit X) that he remembers Judge Baldwin spoke to him of the cashiers, but has no recollection as to price or the details of the matter.

Driggs, Beavers, and Miller have been indicted by the Federal grand jury in the city of Brooklyn, N. Y. (Exhibits T-10, T-11, and T-12).

There is no definite evidence that Heath received any part of the money paid for these machines.

During the investigation of this case, Inspectors Little and Oldfield secured evidence indicating that Ernest E. Baldwin, assistant United States District attorney for the southern district of New York, had knowledge of the transactions between this company and officers of the Department. He was the attorney for the company in a suit then pending in the southern district of New York, and had in his possession the original \$12,500 note.

The inspectors were given a written order by the president and treasurer of the company directing the firm of Boothby & Baldwin, of which Ernest E. Baldwin is a member, to give them access to any papers in their possession bearing upon the subject. When the inspectors presented this order to Baldwin he refused to recognize it and became very angry, and with violent and profane language ordered them from his office (Exhibit T).

It appears, therefore, that Ernest E. Baldwin, assistant district attorney, had knowledge of a fraud against the Government; that he was asked by officers of this Department for such information, and that their request was refused, even after they had presented him with a written order from his clients asking him to give them the information, and that his refusal was made in a most insulting and abusive manner. A statement of the facts in this case has been referred to the honorable Attorney-General of the United States for his consideration.

There is reason to believe that Judge George E. Baldwin knows as much about this fraud as any other party, not even excepting Beavers and Driggs. He is at present consul at Nuremberg, Germany, and has not been in this country at any time since this investigation began. The inspectors, therefore, have not had an opportunity to interrogate him; but I respectfully recommend that all the facts relating to his connection with this case be referred to the honorable Secretary of State for his consideration.

## ELLIOTT &amp; HATCH BOOK TYPEWRITERS.

The Elliott & Hatch book typewriter is a machine invented by Crawford Elliott, of Springfield, Ill., and Walter P. Hatch, of Stamford, Conn., and was designed primarily to write in record books. With the ordinary typewriter the paper moves as the writing progresses, but with this the paper or book remains stationary while the machine itself moves with each depression of the key. The inventors interested ex-Senator J. D. Cameron, of Pennsylvania, and Grant B. Schley, of New York, in their invention. A company was organized to manufacture and sell the machine, with Cameron as president and Hatch as general manager and treasurer.

H. J. Gensler, one of the official stenographers of the United States Senate, formerly secretary to Senator Cameron, was, in August, 1897, given the agency for Maryland, Virginia, and the District of Columbia. He sought to introduce this typewriter into the postal service, and induced James P. Willett, postmaster at Washington, D. C., to request First Assistant Postmaster-General Perry S. Heath to make an allowance of \$175 for the purchase of one of the machines to be used in compiling a new city directory for the Washington post-office. Willett made this request on January 17, 1898, and on January 19 he was advised by the Salary and Allowance Division that owing to the limited appropriation available for the purchase of typewriting machines his request could not be considered; but Gensler was not a man easily rebuffed. On January 22—three days after the First Assistant Postmaster-General had refused the allowance to the Washington postmaster—Gensler wrote W. P. Hatch, general manager of the company at New York, saying:

The postmaster of this city, Mr. Willett, made a requisition on the chief clerk of the Post-Office Department the other day for a machine which he wants to use for making a directory \* \* \* and the chief clerk promptly rejected the requisition on account of the price of the machine. Now I have got to work on that chief clerk.

Gensler at that time did not understand the organization of the Department. The request was not turned down by the chief clerk of the Department, but by Beavers, chief of the salary and allowance division. Gensler made good his word, however, for on February 2, eleven days after he had written Hatch, Postmaster Willett renewed his request for \$175 to purchase an Elliott & Hatch book typewriter, simply saying that he desired one to use in the office, and on the same day the allowance was made.

Not only did Gensler succeed in having permission granted the postmaster at Washington to purchase this one machine, but in less than two months letters initialed by Beavers and signed by the Acting First Assistant Postmaster-General were addressed to the postmasters at Baltimore, Boston, Brooklyn, Cincinnati, Louisville, St. Paul, St. Louis, and Washington, informing them that a certain number of Elliott & Hatch book-typewriters for use in the preparation of money-order statements would be forwarded to them in a few days. They were instructed to give these machines a thorough test and report the results to the office of the First Assistant Postmaster-General. On March 30, the day after these letters were mailed, Gensler was ordered, for the purpose of testing, to send the

## Postmaster at—

Boston, Mass.....	4 machines.
St. Louis, Mo.....	3 machines.
Brooklyn, N. Y.....	3 machines.
Cincinnati, Ohio.....	2 machines.
Baltimore, Md.....	3 machines.
Washington, D. C.....	3 machines.
St. Paul, Minn.....	1 machine.
Louisville, Ky.....	1 machine.

Twenty machines were thus sent out. There were no favorable recommendations received from any of these offices. W. Scott Towers, superintendent of Station C, of the Washington post-office, however, gave a favorable report. In a letter dated May 24, 1898 (Exhibit U-29), Towers said:

My conclusions after witnessing their work are as follows: Less time and less work, a cleaner and clearer copy, 60 entries on one side of a sheet decreasing the bulk of a statement 50 per centum, making all statements uniform for auditing purposes, as against the irregularity and individuality of handwriting, and easy to learn.

For the above reasons I recommend the use of the typewriter in all post-offices doing a money-order business.

This appears to be the only letter of approval that had been received at the time payment for the 17 machines was ordered.

On July 6, 10 other machines were sent to various post-offices throughout the country, for testing. Up to that date 31 machines had been installed, without requisition, except one from the postmaster at Washington. Gensler then began a systematic effort to secure testimonials from postmasters where the machines had been installed. A number of such testimonials were given, though postmasters in so doing violated the following regulation of the Department that has been published annually for the last ten years:

No postmaster or other postal officer or employee is permitted, without special authority from the Postmaster-General, to give any indorsement, recommendation, or other testimonial, in his official capacity, to any private enterprise or business having any connection with the postal service or with postal affairs, or that appeals in any way for support to other postal employees.

Ten postmasters furnished the company with testimonials, facsimiles of which were printed as advertisements (Exhibit U-5). In his efforts to induce postmasters to recommend his machine Gensler was fertile in resources, as the following correspondence indicates. On August 23, 1898, he wrote Hatch:

Referring to your letter of the 16th instant, in which you say you have sent post-office machines to Montgomery and Mobile, I beg to say that I have written to my friend here in regard to getting favorable reports from these post-offices and herewith inclose a copy of a letter which he has written to the postmaster at Montgomery, which is a very breezy letter. It shows how close a friend Judge Buckley is to my friend.

Yours, truly,

H. J. GENSLER.

W. P. HATCH, Esq., *New York, N. Y.*

The "breezy" letter referred to can not be reproduced, but the expected recommendation followed. After discussing the inability of some clerks to use the machine and referring to the skill of a young lady typewriter just appointed to his office, the postmaster says:

To her patience, industry, and skill the machine gave up its hidden and secret merits, and now we would not be without it.

Every order paid, every order issued, every word and figure of the weekly money-order statement appears in clear, plain typewriting in the bound press copy book



made by the carbon process, and is as much superior to any press copy that can be made as a canceling stamp machine is to a hand stamp. The utility clerk of the office does this work. He is allowed but three hours a day to do it in, and the average daily transactions is 180. The record thus made like printing is clear, permanent, and easy of reference, and a credit to the management and reputation of the money-order system of the Post-Office Department.

The recommendation of the postmaster at Mobile, however, and the manner by which it was secured is still more interesting. On November 11, 1898, the postmaster wrote as follows:

It gives me very great pleasure to report favorably upon the merits of the book typewriter recently placed by you in this office under the direction of the honorable Postmaster-General, and I would not be without one for any consideration.

For all writing that may be done by pen or press, and alike on the heaviest bound records, single letter sheets, or by the aid of carbon interleaves a dozen duplicates at a time, its work is clear and uniform, alignment perfect, ink apparently indelible, touch light, and movement smooth.

In the filling out of the large money-order and other official blanks involving tabulation, in which it is mainly used in this office, it is invaluable, and through the aid of the newly attached jumping device, accuracy is so assured that it is almost impossible to set down the wrong line of words or figures in the wrong column. Besides, the machine writes just the same every day in the year, perfectly and neatly, never getting the trembles, and putting about a third more writing on each sheet.

Your Mr. Gensler, jr., has just visited Mobile to look after and explain the machine. But while always delighted to see him on his own and your account, his coming was unnecessary, for, although when first received the machine seemed beyond all understanding, so different was it from other makes, our office force readily mastered all its details and capabilities unaided, your shipping office having by oversight omitted to inclose any instructions.

Wishing you unbounded success, and that the introduction of the typewriter may grow apace with the grandly glorious expansion of our country that will presently make our beautiful "City of the Gulf" the foremost coal and iron shipping port of the Union, and that you will sell one to all my official correspondents, and with assurances of my personal regards, I remain,

Yours, truly,

P. D. BARKER, *Postmaster.*

One would think that this enthusiastic recommendation was a spontaneous outburst of delight on the part of the postmaster, as he witnessed the beautiful mechanism of this wonderful machine. But not so; the letter was written in Gensler's office and sent to the postmaster, to be by him transcribed and signed. Upon the receipt of this letter Gensler wrote Hatch, November 14 (Exhibit U):

I herewith inclose a copy of my letter of commendation just received from the postmaster at Mobile. He inadvertently addressed it to Captain Patrick instead of to me. If you want to publish it you can strike his name out and insert the company's. *The original letter was written by Captain Patrick here and sent to Mr. Barker with the request that he have it written on our typewriter on his post-office paper and signed by him, which he did.*

W. P. HATCH, Esq.,

*New York, N. Y.*

P. S.—I sent the letter to you under another cover by this mail. The statement about the machine not requiring an instructor originated in Patrick's fertile brain.

All the postmasters who gave these testimonials in violation of the Postmaster-General's order have been called on to explain why they did so.

All postmasters did not, however, manifest the same enthusiasm in regard to the merits of the typewriter as did the postmasters at Montgomery and Mobile. On January 24, 1899, the postmaster at Brooklyn, N. Y., to whom three machines had been sent to be tested, wrote the First Assistant Postmaster-General as follows:

Referring to your letter of March 29, 1898, initials "A. W.," and mine of June 8, 1898, in response thereto, relative to the work performed by the Elliott & Hatch book

typewriters placed in this office, on trial, I beg to advise you that the three machines on which report was made were replaced shortly thereafter by three other machines, which the manufacturers claimed to be an improvement on the first ones. They were given a thorough trial, but found to be not adapted to the work in the money-order department of this office. They are taking up valuable space, and I respectfully request that the manufacturers be instructed to remove the same.

On January 22, 1900, the postmaster at Chicago, in reporting upon the merits of the machines, said (Exhibit U-22):

The machines were tested in the money-order division for six weeks, and though every opportunity was afforded the operators the result is disappointing. The average time required at this office for a clerk to write a single statement sheet is fifty minutes. In using the machines none of the clerks has been able to write a sheet in less than two hours. The expert operators furnished by the Elliott & Hatch Company after three weeks' practice succeeded in completing a sheet in one hour and fourteen minutes. This was on an occasion when a trial of speed took place between an operator on the machine and a clerk with pen in hand. The time of the clerk during the trial was thirty-eight minutes. Should the money-order division be required to prepare all its statements on the book typewriter the force in the division would have to be increased to the extent of the loss of time brought about by the use of the machine. I am not prepared to recommend additional clerks for this purpose, more especially as the statements prepared by hand have always been accepted as satisfactory by the Department.

And even Barker, the postmaster of Mobile, changes his opinion of the machine (Exhibit U-31). Early in 1900 he complained to the company that it was continually out of repair, and in July of the same year he asked the Department to have it repaired. December 29, 1900, he asked for permission to test a Remington, with a view of securing one to replace the Elliott & Hatch. This request was declined. Again, in January, 1901, he complained that the machine was badly in need of repairs. On April 20, 1901, he was directed by the First Assistant Postmaster-General to crate and ship the Elliott & Hatch book typewriter to the factory at Harrisburg, Pa., and was advised that—

The said machine will be thoroughly overhauled and returned to your office, and you will be advised later relative to payment for repairs.

In response to this letter the postmaster, on April 29, wrote:

As per instructions from you, the above typewriter, No. 5292, has been sent to Harrisburg, Pa., for repairs. It is respectfully set forth that the return of this machine to this office is not desired, as from its complicated mechanism it is constantly liable to get out of order, and it takes twice as long to do the work by the typewriter as it does by hand, and the clerks in charge of the money-order division of this office much prefer the hand work to being constantly worried trying to make the machine do good work. There is always something to adjust and look after every time it is used; the shifting of the types and moving from column to column being especially hard on the adjustment, which is being constantly thrown out of gear and racked. After two years' trial of it I am not at all pleased with it, and would rather not have it sent back.

The work done on these typewriters seemed to have been of such an unsatisfactory character that M. M. Holland, chief of the inspecting division of the Auditor's office, and the clerks who handled the money-order statements of postmasters, formally protested against the use of this machine, declaring that the statements prepared with it were difficult to check and required much more time to verify than statements that came in from offices where the typewriter was not used. Holland, on April 4, 1899, transmitted the statements of these clerks (Exhibit U-6) to the acting Auditor, with the following letter:

The inclosed letters are submitted for your information and with a view of having the matter called to the attention of the Post-Office Department at the earliest prac-

ticable time to prevent the further outlay of money for the purchase of more typewriters for use of postmasters at offices of the first and second classes.

In addition to the complaints contained in the inclosures many of the inspectors have called my attention to the same matter and expressed the opinion that examination of work done on the machine is greatly retarded.

The consensus of opinion is that the statements prepared with pen and ink are preferable.

This letter with the statements of the clerks was transmitted to the First Assistant Postmaster-General by A. L. Lawshe, acting auditor, on April 5, 1899, with the following comment (Exhibit U-6):

Much complaint is made by clerks of the inspecting division of this office that money-order statements from post-offices using book typewriters are very imperfectly prepared, thereby causing much trouble and seriously retarding their work.

The consensus of opinion is that unless postmasters and clerks exercise greater care in the preparation of statements the use of the book typewriters should be discontinued.

Herewith I submit for your consideration, and such action as you may deem advisable, a letter of the chief of the inspecting division, with attached statements by clerks employed on this particular class of work.

One would naturally think that the above letters would have retarded the sale of the machines and dampened the ardor of Gensler. But not so. He secured a letter from the late Senator Davis, of Minnesota, to Auditor Castle, presented it to him personally, and as a result his efforts secured the following recommendation for the machine:

TREASURY DEPARTMENT,  
OFFICE OF AUDITOR FOR THE POST-OFFICE DEPARTMENT,  
Washington, D. C., June 8, 1899.

HON. PERRY S. HEATH,

*First Assistant Postmaster-General, Washington, D. C.*

SIR: I take pleasure in saying that the money-order statements turned in to this office, which are printed and tabulated by the Elliott & Hatch book typewriter, greatly facilitate the work of auditing, as the typewriting is clear, distinct, and uniform and easy to decipher. It is also notable that by the use of this machine the bulk of the reports is largely decreased. Probably not one-fourth in number of the sheets are now required for the same work as when written by a pen.

I believe the further employment of this machine for making out money-order statements in all large post-offices will greatly benefit the public service for the reasons above stated.

Very respectfully, yours,

HENRY A. CASTLE, Auditor.

Auditor Castle states (Exhibit U-6) that he never saw the letters of Lawshe, Holland, and the clerks of the inspecting division; that before he wrote the letter requested by Gensler he inquired of some of the clerks in his office as to the merits of the machine; that these clerks made to him verbally a favorable report, and upon that information he wrote the above recommendation.

Castle's letter was printed in facsimile and used in the advertising literature of the company, while the protest of his clerks quietly slept in the files of the First Assistant Postmaster-General's office until brought to light by this investigation.

About the time that Gensler began to secure testimonials he also started a vigorous campaign to induce postmasters to make requisition for the machines. He apparently had no difficulty in having the Department furnish the machines at his price when request was made by postmasters. All the political pressure that he could command was brought to bear upon these officials, as will appear from the following letters:

On September 23, 1898, he wrote Hatch as follows (Eylar referred to below was an officer of the company):

I have Mr. Eylar's letter of the 22d concerning the No. 5 machine which was delivered to the postmaster at Allentown, Pa., who only wants to pay \$175 for same. He does not "cut any ice." \* \* \* You will notice from the copy of the letter received by me this morning from the Post-Office Department, sent you under another cover, that the postmaster has been authorized to pay \$200 for that machine, and you can bet that he will pay it p. d. q. or he will be hauled up with a jerk.

Tell your Philadelphia manager not to lose any sleep over Mr. Allentown postmaster, but to hurry up and send in an order from the Easton postmaster, from whom he said some time ago he expected to get a request for a machine. \* \* \* Please send me a new lot of post-office requests. I am hungry for them. Time hangs heavy on my hands and I want something to do.

On September 27 he again wrote Hatch as follows:

I inclose another from the Post-Office Department. This is the result of my letter to Hon. William A. Stone, the next governor of Pennsylvania. We ought to have 100 orders by the 1st of January if you could only get your people to whoop things up a little. I am given to understand that I shall probably get the order for the five or six machines for the New York City post-office to-day or to-morrow.

On September 30 he again wrote Hatch:

I herewith inclose a letter from the postmaster at Titusville, from which you will see that the latter has *requested* the Department to send him a machine on trial. I also inclose a letter from ex-Representative Dick, of Meadville, who is looking after the postmaster at his town. So my little post-office scheme goes working merrily along.

From these letters it plainly appears that Gensler was devoting his attention to securing requests from postmasters, and that there was never any doubt in his mind as to the sale of the machine after such requests were received.

The foregoing plainly indicates that Gensler had an understanding with officials of the Department to furnish his machines to postmasters if they requested them. Requests from postmasters did not come in fast enough, however, so Beavers went a step further and furnished the Elliott & Hatch when other machines were requested.

About the time the Elliott & Hatch machine came out the Remington Company was making a typewriter designed specially for post office work, the price of which was \$110. A book typewriter, known as the Fisher, costing \$150, also was placed upon the market.

The postmaster at Erie, Pa., under authority of the Department dated October 13, 1898, had tested the Fisher book typewriter for thirty days, and on February 14 he reported that it worked satisfactorily and asked permission to expend \$150 for it. On February 17 his request was refused, while on February 24, just one week after such refusal, Gensler was authorized to send an Elliott & Hatch machine to Erie, Pa., and on March 26 the postmaster was directed to pay \$200 for it (Exhibit U-16).

On October 30, 1899, the postmaster at Council Bluffs, Iowa, advised the Salary and Allowance Division that he had thoroughly tested the Remington machine and found it very satisfactory, and requested permission to purchase one at a cost of \$110. His request was declined, but in March following he was authorized to purchase an Elliott & Hatch at a cost of \$200 (Exhibit U-11).

On June 27, 1899, the postmaster at Asheville, N. C., asked for an allowance of \$110 to purchase a Remington machine. On July 5 the request was refused, but on April 15, 1901, he was authorized to expend \$200 for an Elliott & Hatch (Exhibit U-10).

On October 28, 1899, an Elliott & Hatch machine was sent to Concord, N. H., without requisition. Later, the postmaster reported that he had tested both the Elliott & Hatch and the Remington machines, that either was satisfactory, or that he could use both. He was ordered to pay for the Elliott & Hatch and return the Remington (Exhibit U-12).

On October 25, 1899, the postmaster at Decatur, Ill., asked authority to purchase a Smith Premier typewriter at \$100, and his request was declined. On November 28, one month later, an Elliott & Hatch machine was sent him for trial, and he was directed to report the result of the test. On December 23 he requested permission to test a Remington typewriter also, so that he might determine which was the better adapted to the work of his office. His request to test the Remington was denied, and on January 23 he was authorized to expend \$200 for the Elliott & Hatch. This postmaster, therefore, was not permitted to buy a Smith Premier at a cost of \$100, nor to test a Remington, which would have cost \$110, but was directed to purchase an Elliott & Hatch at a cost of \$200 (Exhibit U-13).

The postmaster at Elgin, Ill., on November 28, 1899, without requisition, was informed that an Elliott & Hatch typewriter would be sent him for trial. On January 9, 1900, the postmaster wrote that he would like to test a Remington also, stating that it was said to be a better machine and cost less money; but on January 12 he was informed that it was not considered advisable to permit a test of the Remington, and two weeks later he was directed to pay \$200 for the Elliott & Hatch machine (Exhibit U-15).

On May 26, 1899, the postmaster at Kansas City, Mo., was authorized to expend \$200 for an Elliott & Hatch book typewriter; but instead of immediately complying he transmitted to the Salary and Allowance Division a report of the superintendent of the money-order division of his office, stating that he would prefer a Remington typewriter because it was smaller, speedier, and during the test had not needed repairs, while the agent for the Elliott & Hatch had been called in eight or ten times to adjust parts of his machine; and further that the Remington would cost but \$110, \$90 less than the Elliott & Hatch. But in the face of this report the postmaster was directed to pay \$200 for the Elliott & Hatch machine (Exhibit U-17).

On July 18, 1900, the postmaster at Spokane, Wash., requested permission to test an Elliott & Hatch typewriter, which was granted. On December 8 he reported the machine not suited to the needs of his office; that it had serious defects, such as the interlocking of the type bars, imperfect method of changing from upper to lower case, impossibility of keeping it free from dust, lack of durability, and its great size. He recommended that the machine be returned, and asked permission to buy a Remington, which he said he could secure for \$100. On December 18 he was advised that authority to purchase the Remington would not be given, but that he should keep the Elliott & Hatch machine, and was directed to pay \$200 for it (Exhibit U-21).

The postmaster at Duluth, Minn., after testing an Elliott & Hatch typewriter, wrote the Department that it would be of no advantage to him because there was no one in the office who could operate it. In response to this letter, on April 14, Beavers, through the First Assistant Postmaster-General, wrote:

Referring to your communication of the 10th instant, in which you state that the Elliott & Hatch typewriter is of no advantage to your office unless an additional clerk is allowed, you are directed to continue the use of said typewriter, and under the new appropriation for clerk hire for the fiscal year commencing July 1, 1900, the necessary relief will probably be afforded.

In response to this suggestion, on May 26 an additional clerk with salary at \$500 per annum was allowed that office, and the postmaster was directed to pay \$200 for the Elliott & Hatch machine. This unnecessary expense for an additional clerk was incurred that an Elliott & Hatch machine might be sold (Exhibit U-14).

These citations are but samples, taken from the records, of Beavers's methods in promoting the sale of these machines. Gensler, however, even by political pressure, was not able to induce any great number of postmasters to ask for the Elliott & Hatch machine, and finally a large number were sent out without requisition. From January, 1898, to April 15, 1901, 193 of these machines were bought by the Department at a total cost of \$38,575. Of this number, 131 were sent to postmasters without requisition (Exhibit U-1).

About April 30, 1901, First Assistant Postmaster-General Johnson learned of the useless character of these machines for the postal service and ordered that no more be purchased.

The motive that prompted Beavers to this reckless and wanton waste of the public funds in the purchase of these machines was discovered by Inspectors McKee and Rolfe, who investigated the case. Their report is submitted herewith, marked "Exhibit U."

It appears that Gensler had a contract with the company by which he received \$75 on every machine sold to the Post-Office Department, and that he paid W. Scott Towers, superintendent of Station C of the Washington post-office, \$50 out of his \$75 commissions. Towers, it will be remembered, was the man upon whose favorable recommendation the machines were ordered. Gensler says that he paid the money to Towers; Towers admits receiving it (Exhibit U-28), but denies that he ever paid any part of it to Beavers. The inspectors, however, have conclusive proof that he divided his commission with Beavers, each taking \$25 per machine.

Much of the evidence in this case is now in the hands of the United States attorney for the District of Columbia, and is therefore not available for exhibits in this report. Towers and Beavers were indicted by the grand jury of the District of Columbia on October 1 and 5, 1903 (Exhibits U-32, U-33, U-34, U-35, and U-36).

#### BUNDY TIME RECORDERS.

The letter-carrier service was inaugurated in 1863, and from that time until 1888 there was no difference in the hours of duty of carriers and clerks. All were employed until the work on hand was completed, without regard to hours. In 1888 a law was enacted by Congress restricting letter carriers to eight hours' work per day, and since then it has been necessary to keep a record of the time the carriers were employed each day. The original method of keeping this record was to require the carriers to register in a book the hour they arrived and departed on official employment.

In 1890 the Bundy Manufacturing Company, of Binghamton, N. Y., began the manufacture of clocks with a recording device attached, so constructed as to note the hour and minute that a key is inserted.

Each key has an individual number, and this number appears on the record tape with the exact minute of insertion.

In October, 1891, Harlow E. Bundy, treasurer and manager of the Bundy Manufacturing Company, wrote W. J. Pollock, then Superintendent of the Free-Delivery System, urging the adoption of the Bundy time recorder in the free-delivery service.

Clocks were sent to Washington for examination, and some were placed in large free-delivery offices. After an extensive correspondence, the company finally was informed that the Postmaster-General did not deem it advisable to adopt the use of the clocks. No further consideration seems to have been given the matter until after August W. Machen became superintendent of Free-Delivery in September, 1893. Machen seems immediately to have become interested in the adoption of the Bundy clocks. On October 26 he submitted an estimate to Frank H. Jones, First Assistant Postmaster-General, that the cost of equipping 30 free-delivery offices with these time recorders and keys would be \$12,038, or for the entire free-delivery service, \$45,599.50.

In the meantime a number of other time-recording devices were pressing for adoption. But, largely through the efforts of Machen (Exhibits V-2, V-3, and V-5), the Bundy clock was selected; and it appears that in June, 1896, an order was given the Bundy Manufacturing Company for 375 time recorders at \$75 each, and 50 cents for each key.

The only record of this order is a memorandum in the Department files. The origin of this memorandum is not very clear, but there is little doubt that Machen was directly responsible for the arbitrary purchase of these clocks; and when subsequently the Auditor questioned payment on the ground that purchase was unauthorized, there is evidence which indicates that Machen falsified the record by the introduction of the memorandum in order to secure the passing of the bills by the Auditor (Exhibits V-4 and V-28).

Machen interested John A. Maher, a friend of his, then living in Chicago, but formerly of Toledo, Ohio. Maher became active in his efforts to induce the postmaster at Chicago to recommend the Bundy time recorder in preference to its competitors. In a statement (Exhibit V-5) Maher says:

I am unable to assign any specific reason for writing this letter or the interest manifested therein by me in Bundy time recorders other than the friendship I entertained toward Mr. Machen since he was 15 years of age, it having come to me, by means that I do not now recall, that Mr. Machen was desirous of securing the adoption of the Bundy time recorder in the Chicago office.

In 1896, when this time recorder was first adopted by the Department, only 1 key was furnished for each carrier. But very soon thereafter it was alleged that 1 key was not sufficient to record a carrier's time properly, and it was decided to supply each carrier with 4 keys for recording, respectively, the time of arrival at the office, the time of leaving on his trip, the time of his return, and the time he went off duty.

About the same time another idea as to keys was developed, and dating keys—that is, 31 for the days, 12 for the months, and 1 for the year, 44 in all—were required to be furnished with each clock in addition to the carriers' keys.

Shortly after adding the dating and the additional carriers' keys,

Machen suggested the use of a device that would cause the clock to strike at any given time, so as to give warning to carriers a certain number of minutes before their schedule time for leaving the office. This device is known as the bell-ringing attachment, and it added \$25 additional to the price of the clock, so that to the original price of \$75 was added \$25 for this device, and \$22 for the 44 dating keys, thereby increasing the first cost of each clock to \$122. And to this must be added the cost of 4 keys, or \$2, for each carrier employed in the office or station where the clocks were placed. The 44 keys were furnished until the year 1901, when their use was ordered discontinued by J. M. Masten, chief clerk to the First Assistant Postmaster-General.

In 1898 First Assistant Postmaster-General Heath extended the use of the time recorder by requiring the post-office clerks to use them. Up to that time they had been purchased through the Free-Delivery Division. Since then purchases have been made by the Salary and Allowance Division, though carriers' supplies of ribbons, tape, keys, etc., were still furnished through the Free-Delivery Division.

An effort was made by First Assistant Postmaster-General W. M. Johnson and his chief clerk, John M. Masten, in 1901, to reduce the price of these time recorders. In August of that year Masten wrote John Dey, of Syracuse, N. Y., inquiring as to the time-recording clock which he was manufacturing. Dey was then in Europe, and Masten was so advised. The files of the Department also show the following memorandum, dated September 24, 1901 (Exhibit V-21):

Mr. BEAVERS:

The First Assistant Postmaster-General directs that these orders for Bundy clocks and keys be held for further consideration. He wants to see the price on clocks reduced to \$50, and keys, of case-hardened iron, to 25 cents each. If there are any contracts, please bring them up for examination.

(Signed)

J. M. MASTEN, C. C.

The matter of furnishing keys was taken up with Benjamin Chambers, of Lodge, Va., who, on October 2, 1901, submitted a proposition to furnish malleable cast-iron keys, fully case hardened, for 23 cents each, or steel keys, case hardened, for 27 cents each (Exhibit V-14).

On October 5, 1901, Robert B. Brown, of Washington, a friend of Masten's, who was frequently in his office, visited Syracuse and asked the Dey Time Recording Company for quotations on time clocks, and the quotations requested were mailed him at his residence in Washington (Exhibit V-24). On the next day, October 6, he wrote the company, asking that a clock be sent to him at his home address in Washington, for the inspection of postal officials, and on the 7th he again wrote Dey, asking him to come to Washington and "close the matter with him." On the 12th a clock was sent to Brown and on the 15th Dey visited Washington and consulted with Brown and Masten (Exhibit V-24). October 23 another clock was shipped to Brown for trial in the Washington post-office, and October 30 Brown acknowledged receipt of the same, stating that it would be delivered to the city postmaster. The clock was placed in the Washington post-office for testing, as suggested.

Brown took great interest in the test of this Dey time recorder, frequently visiting the room where it was located. On December 11 the postmaster made a report upon the Dey clock as follows:

I have the honor to report that in compliance with your request of the 1st ultimo (A. T. H.), I have caused a test to be made in the delivery division of this office of



the Dey time register installed there, running through a period of thirty days, beginning November 5, and have received a report from the Superintendent of Delivery showing the result of the test. From this report, and from my own observation of the register, I have formed a very favorable opinion of it, and am prepared to submit that opinion if you are satisfied to have the test stop there. But as the register has been used only in one division, and by letter carriers only, I should prefer, before reporting finally upon it, to have it tried in another division and by clerks. I ask, therefore, that you allow me, say, ten days additional time from this date in which to test it.

This recorder did not use keys, the record being made by pressing a button. The prices were: Clocks registering 50 employees, \$75; 100 employees, \$100; 150 employees, \$125.

After the report of the postmaster was filed, no further consideration was given the Dey clock, and nothing more was done toward reducing the price of time recorders.

This investigation has developed the fact that in December, 1901, about the time the postmaster made his report on the Dey clock, the Bundy company employed Brown, who had been actively pushing the Dey recorder, as their agent, paying him 10 per cent on all the sales made by that company to the Post-Office Department. Brown therefore abandoned the Dey company in the midst of the test that was being made under his management, and apparently when Brown lost interest in the Dey clock Masten lost interest in the reduction of the cost of time recorders. After the employment of Brown, everything seemed to go smoothly for the Bundy company. On December 30 it submitted the following proposition to the Department:

INTERNATIONAL TIME RECORDING COMPANY,  
*Binghamton, N. Y., December 30, 1901.*

HON. W. M. JOHNSON,  
*First Assistant Postmaster-General, Washington, D. C.*

DEAR SIR: In compliance with the oral proposition made by Senator Green, the president of this company, we beg to offer to supply the new improved Bundy "time recorder" at one hundred (\$100) dollars each, and keys at fifty (50) cents each, and exchange keys at thirty (30) cents each.

Also, supplies at the price at which these have been previously furnished you, viz., ink ribbons, six (\$6.00) dollars per dozen; paper tape, two (\$2.00) dollars per dozen.

Should the appropriation at the disposal of the Department be at any time insufficient, and the good of the service demands the installation of additional clocks, or the furnishing of supplies for same, we shall be pleased to supply same as heretofore, awaiting payment until next appropriation is available.

This tender, if accepted by you, will continue in force during the term of four years, or the life of the present Administration.

Trusting this will meet with your approval, and awaiting your pleasure, we are,

Very respectfully,

(Signed)

INTERNATIONAL TIME RECORDING COMPANY,  
H. E. BUNDY, *Treasurer and General Manager.*

These were the exact prices that had prevailed for years. Its acceptance would be of no advantage to the Department, but would be favorable to the company, because it bound the Department for four years to the price which we have a right to assume the First Assistant Postmaster-General and his chief clerk both thought too high. On March 20, following, however, the proposition was accepted by the following letter:

MARCH 20, 1902.

INTERNATIONAL TIME RECORDING COMPANY, *Binghamton, N. Y.*

GENTLEMEN: Your proposition of December 30 last, to furnish such recorders and keys as may be required by the Department, at the following-named prices: Recorders, at \$100 each; clerks' keys, at 50 cents each, and clerks' keys in exchange for old keys,

at 30 cents each, is hereby accepted, with the understanding that should the appropriation at the disposal of the Department be at any time insufficient to pay for the recorders and equipment required for the good of the service, you will furnish necessary recorders and clerks' keys and await payment until the Department has funds available therefor.

Very respectfully,  
(Signed)

J. M. MASTEN,  
*Acting First Assistant Postmaster-General.*

The necessity of a formal acceptance of this proposition does not appear. No such contract had existed before. When clocks were needed, they were bought, and the Department was not required to buy them for any specified time. Such a contract could serve no purpose but to bind the Department to the use of the clocks of this company, at the prices named, for a period of four years, and thereby prevent any further effort toward the reduction of prices. First Assistant Postmaster-General Johnson stated verbally to the inspectors that he was convinced by the arguments of Green that it would not be wise to change time recorders and have two systems in the service. Masten says (Exhibit V-23) that powerful political pressure was brought to bear on the First Assistant Postmaster-General, by Green and others, and that presumably because of this he discontinued further efforts to reduce the price of recorders. Mr. Johnson stated that he had no recollection of ever having seen the written proposal submitted by Green, which was accepted in a letter signed by Masten, and that he did not know that the Department was bound by a four-year contract. First Assistant Postmaster-General Johnson was at that time in poor health and was at his office very little. He depended largely upon Masten's judgment in the management of departmental matters.

Masten's attitude in this clock transaction and his relations with Brown have caused some to question the integrity of his motives in abandoning the idea of a reduction in the price of these clocks at the very time that Brown's interest changed from the Dey to the Bundy company. But a most searching investigation of the financial affairs of both Brown and Masten failed to reveal any evidence that any part of the money received by Brown from the Bundy company has been paid to Masten. Masten has been in the service for many years and has a most excellent record; and while his relations with Brown in connection with these clock transactions were such as to subject him to serious suspicion, yet the record of twenty-two years of upright and efficient service should not be discredited without positive proof; and at this time there is no proof that Masten has been guilty of any acts of dishonesty.

The records of the Department show that since the adoption of the Bundy clocks 1,743 have been purchased, of which 573 were bought through the Free-Delivery Division, and 1,170 through the Division of Salaries and Allowances. The total expenditure for these clocks, exclusive of keys, tapes, and other incidental supplies, has been \$160,225. It is not possible to get the exact amount that has been paid for keys and other supplies, but it is quite accurately estimated at \$87,150, making the entire expenditure by the Department for time recorders about \$247,000.

Postmaster-General Wanamaker declined to adopt the device, believing that it was an unjustifiable expense; but Postmaster-General Wilson and First Assistant Jones, under pressure from Machen, did

adopt the time recorder in the postal service; and this enormous expenditure and the attending scandal have resulted.

At the time the Bundy clocks were adopted, H. J. Truesdell was the general agent of the company. He is not now connected with the company. When first seen by the inspectors he declined to discuss its affairs, but afterwards told an interesting story of his operations while acting as its general agent. He states (Exhibit V-28) that in the year 1896 he paid Machen \$1,000 for his services in securing the introduction of the time recorder, and that afterwards he paid him various sums of money. Criminal action on such payments being barred by the statute of limitations, no special effort was made to secure corroborative evidence; but, considering Machen's record in other matters, it is not improbable that Truesdell's statements are true.

Upon inquiry as to the relations of Beavers with the company, Truesdell states that he first met Beavers in connection with the installation of the Bundy clocks in the New York City post-office; that he was having some difficulty because of the opposition of E. M. Morgan, superintendent of the registry division in the New York office; that he met Beavers, then a post-office inspector in the city of New York, and while lunching together at the Astor House he told Beavers of the trouble he was having with Morgan. Truesdell states that Beavers told him (Exhibit V-28): "He could get Morgan in an hour, as they were friends," and that Beavers did arrange with Morgan satisfactorily to him. Subsequently Beavers said that if he "should get the clocks going" he "ought to do something for Morgan" who would expect it; that later he got \$1,200 from the Bundy Manufacturing Company and gave \$600 of it to Morgan, who said to him that he had to "make a payment on his house," and the other \$600 he gave to Beavers.

This, according to Truesdell's statement, was the beginning of an intimate acquaintance between him and Beavers. It seems that Truesdell had a dislike for Charles O. Shepherd, chief of the salary and allowance division under the administration of Postmaster-General Wilson, so he conceived the idea of having Beavers appointed to the place in case of a change in the national administration. In referring to this matter Truesdell (Exhibit V-28) says that the day after the Presidential election in 1896 he asked Beavers if he would like to be appointed chief of the salary and allowance division; that he was going to see that Shepherd was ousted. Beavers expressed his willingness for the position; and Truesdell further states that he interested a number of influential New York politicians in Beavers's behalf; and that after Beavers's appointment, in consideration of orders for recorders, he paid him from time to time various sums of money, usually in amounts of \$500 or \$600; that these payments were made with the proceeds of checks drawn by the Bundy Manufacturing Company in favor of himself.

Statements of such shameless bribery and official debauchery on the part of one of the parties concerned should be taken with allowance. Truesdell's statements, however, are corroborated in a measure by the following letter found in the files of the Salary and Allowance Division:

GEORGE E. GREEN, MAYOR,  
Binghamton, N. Y.

My Dear Colonel HEATH: This is my good friend, Mr. George W. Beavers, of Brooklyn, of whom I spoke during the pleasant interview accorded me in your office.

Mr. Beavers is an aspirant for promotion in the Post-Office Department. He is

reliable, trustworthy, and honest; a gentleman in every sense of the word. His ability, capacity, and integrity well fit him for the faithful discharge of all duties pertaining to any office to which he may be promoted.

If you can consistently make him clerk of the salary and allowance department he will fill the bill admirably, and prove an efficient and confidential assistant upon whom you can safely rely. Mr. Beavers's sterling Republicanism has never been questioned.

Very truly, yours,

GEORGE E. GREEN.

HON. PERRY S. HEATH,

*First Assistant Postmaster-General, Washington, D. C.*

This letter was not dated, but pencil memorandum indicates that it was acknowledged April 8, 1897.

Beavers was appointed in August, 1897, and became the confidential assistant of Heath, as suggested by Green. In a short time the purchase of time recorders was transferred from the free delivery division to the salary and allowance division, and an order was issued requiring clerks in post-offices to use them in making the record of their arrival and departure. The same reckless waste that characterized Beavers's administration in other matters prevailed in the supply of these time recorders. Requisitions from postmasters were not required. No inquiry was made as to the necessity for clocks before they were shipped to post-offices. Under Machen time recorders were not furnished to the smaller second-class offices, but Beavers sent them in excessive numbers to offices where they could be used and to many offices where there was not the slightest necessity for them. To illustrate:

Berkeley, Cal., has 11 carriers and 7 clerks, yet this office has been furnished with 3 clocks and 162 keys.

Los Angeles, Cal., with 93 carriers and 87 clerks, was supplied with 13 clocks and 840 keys, 438 more keys than the postmaster made requisition for.

Eighty-nine Bundy clocks were sent to St. Louis, with thousands of keys, while 24 were all that could be used in Baltimore and 69 in New York.

Fort Collins, Colo., with 3 carriers and 3 clerks, has been furnished 1 clock and 66 keys.

Bristol, Conn., with 5 carriers and 4 clerks, was furnished 2 clocks, 1 of which has never been taken from the crate.

Winsted, Conn., with 5 carriers and 7 clerks, was furnished 3 clocks and 139 keys.

Warsaw, Ind., with 2 carriers and 3 clerks, was furnished 1 clock and 61 keys.

Independence, Kans., with 3 carriers and 3 clerks, was sent 1 clock with 90 keys.

Westminster, Md., with 3 carriers and 4 clerks, was sent 1 clock and 118 keys.

South Weymouth, Mass., with 2 carriers and 1 clerk, was furnished 1 clock and 58 keys.

West Concord, a station of the Concord, N. H., post-office, has 1 carrier and 1 clerk, yet a clock was placed in that station.

Babylon, N. Y., is not a free-delivery office, and only 2 clerks are employed, yet it has been furnished with a Bundy clock to record the time of arrival and departure of these two employees.

Cambridge, N. Y., has 2 clerks and no carriers, yet it has been furnished with a Bundy time recorder at an expense of over \$100.

A time recorder was sent to Bayshore, N. Y., in August, 1902, where there was not an employee in the office except the postmaster and his assistant.

Such profligate expenditure is almost incredible. A hundred such instances as the above could be cited from the records. In the State of New York there are 26 offices with no free delivery, and therefore no carriers, that have been supplied with Bundy clocks. In less than six years Beavers bought 1,170 of these time recorders.

Truesdell for many years was a trusted agent of the Bundy company. His salary at one time was \$10,000; certainly very liberal compensation for the character of the services required. Up to the year 1900 all transactions between the Department and the Bundy Time Recording Company were through him, but during that year the company became dissatisfied with Truesdell, and while he was still retained as its agent it also employed George E. Green, its president, as an agent for departmental business in Washington. Green was paid 10 per cent on all sales made to the Post-Office Department. Bundy, treasurer of the company, states (Exhibit V-27) that Green's business as agent was to see that no other time recorders were permitted to be introduced into the postal service and to secure a continuation of the use of the Bundy clock. This commission to Green was in addition to his salary as president of the company.

About the time that this investigation began Green wrote numerous letters urging an immediate investigation of the transactions of his company with the Department. In a letter on June 12 he stated (Exhibit V-29):

We are ready and anxious to assist the Department in publicly exposing anything wrong or inequitable.

On July 9 he again wrote:

We only ask what is eminently fair and right, namely, that as soon as consistently possible the charges concerning the sale of Bundy time recorders to the Post-Office Department, and anything associated with the International Time Recording Company, George W. Dunn, and the writer in connection with the Post-Office Department, shall be openly and freely investigated, and then that official report shall be made in consonance with the facts. In view of the circumstances we urgently request, if you have not already had time to investigate the charges made or hinted at, that you do so at your earliest convenience.

Other letters of a similar character were written to different officers of the Department. Green was advised that as soon as practicable the Department's relations with his companies would be taken up. The investigation so persistently urged was begun in July, and several inspectors were assigned to the case. In the course of the investigation they discovered that certain amounts of money, aggregating several thousand dollars, had been paid to Beavers by Green. They were directed to call upon Green for a statement as to the nature of these payments. But disregarding his former protestations, he declined to make any explanation whatever in regard to the matter. He stated that he had been insulted by this inquiry into his private affairs. He was informed that it was charged that Beavers had greatly favored the International Time Recording Company, of which he was president, by the purchase of a large number of clocks that were not needed; that there was evidence tending to show that Beavers had favored his company from corrupt motives; that the inspectors in the investigation had discovered that a large amount of money had been paid by

him to Beavers and that it was necessary to know the nature of these payments so as to determine what bearing they had on the present investigation. He then asked that any questions the Department desired him to answer be submitted in writing, and in compliance with this request the inspectors, on August 18, 1903, submitted to him the following list of questions (Exhibit V-29):

Did you give to George W. Beavers, in February, 1900, about the 6th, your check on the Knickerbocker Trust Company of New York for \$500?

If you gave Beavers this \$500 check state why the payment was made to him.

Did you give to George W. Beavers, in May, 1900, about the 16th, your check on the Knickerbocker Trust Company of New York for \$1,000?

If you gave Beavers this \$1,000 check state why this payment was made to him.

Did you give to George W. Beavers, in October, 1901, about the 5th, your check on the Knickerbocker Trust Company of New York for \$220?

If you gave Beavers this \$220 check, state why the payment was made to him.

Did you give to George W. Beavers, in December, 1901, about the 13th, your check on the Knickerbocker Trust Company of New York, N. Y., for \$325?

If you gave Beavers this \$325 check, state why the payment was made to him.

Did you give to George W. Beavers, in August, 1901, about the 16th, a draft of the First National Bank of Binghamton, N. Y., for \$570.01, on the National Bank of Commerce, in New York, N. Y.?

If you gave Beavers this draft for \$570.01, state why the payment was made to him.

Did you give to George W. Beavers in January, 1902, about the 31st, your check on the Seventh National Bank of New York, N. Y., for \$331.18?

If you gave Beavers this check for \$331.18, state why the payment was made.

Did you give to George W. Beavers in March, 1902, about the 19th, your check on the Seventh National Bank, of New York, for \$500?

If you gave Beavers this \$500 check, state why the payment was made.

Did you give to George W. Beavers in April, 1902, about the 26th, your check on the Seventh National Bank, of New York, N. Y., for \$418.36?

If you gave Beavers this check for \$418.36, state why the payment was made.

Did you give to George W. Beavers in May, 1902, about the 15th, your check on the Seventh National Bank of New York, N. Y., for \$1,000?

If you gave Beavers this \$1,000 check, state why the payment was made.

Did you give George W. Beavers in June, 1902, about the 16th, your check on the Seventh National Bank of New York, N. Y., for \$1,750?

If you gave Beavers this \$1,750 check, state why the payment was made.

Did you give George W. Beavers in October, 1902, about the 8th, your check on the Seventh National Bank of New York, N. Y., for \$842.88?

If you gave Beavers this check for \$842.88, state why the payment was made.

Have you paid money to George W. Beavers, either in cash or by check or otherwise, at any times other than those mentioned in the foregoing? And, if so, give the dates of payment, manner of payment, and why such payments were made.

Did you at any time, either directly or indirectly, give or promise to give, or cause to be given or transferred, to Perry S. Heath, George W. Beavers, or any other employee of the Post-Office Department, any share or shares of the stock or any bonds of the Bundy Manufacturing Company, the International Time Recorder Company, or the Doremus Machine Company?

On August 19, in answer to the list of questions, Green said:

Since the time my attention was first called to the fact that business matters between the Department and companies with which I am connected were under investigation, I have repeatedly advised the Department of my willingness and desire to furnish all information possible, and to assist in every way in a full and fair investigation. My requests have not only been ignored, but the Department has seen fit to conduct a secret inquiry concerning my private business affairs, stock transactions, and bank accounts, tending to seriously injure my business and financial standing. This line of investigation has been pursued without giving me any notice or opportunity in advance to aid or assist the officers of the Government. \* \* \* All my transactions with the Post-Office Department have been conducted openly and honestly, and I have nothing to conceal, but it is evident that the Department is not now seeking my cooperation or assistance, and is proposing to continue an inquiry into my private and personal business affairs for some purpose of which I am not advised.

In this view of the case, and acting upon the advice of counsel, I must respectfully

decline to now make any statements in addition to those contained herein and those heretofore voluntarily made in my letters, now on file with the Post-Office Department.

When he declined to make any statement to the inspectors he was subpoenaed to appear before the grand jury of the District of Columbia and asked by the United States attorney as to his relations with Beavers and other departmental officials. He positively declined to answer any question, taking advantage of the principle that a witness can not be compelled to testify where such testimony would incriminate himself.

The result of the investigation shows that Green paid Beavers the 10 per cent commission allowed him by the company on all departmental business. The following table illustrates the method of this payment. The first column shows the date the commission was paid to Green by the company; second, date of deposit in Green's personal account; third, date Beavers deposited Green's check, and fourth, date these checks were charged to Green's account.

Date of payment to Green.	Date of Green's deposit.	Deposited by Beavers.	Charged to Green's account.	Amount.
September 30, 1901 .....	Oct. 1, 1901	Oct. 4, 1901	Oct. 5, 1901	\$220.00
December 9, 1901 .....	Dec. 10, 1901	Dec. 12, 1901	Dec. 13, 1901	825.00
January 25, 1902 .....	Jan. 28, 1902	Jan. 30, 1902	Jan. 31, 1902	331.18
April 19, 1902 .....	Apr. 22, 1902	Apr. 26, 1902	Apr. 28, 1902	418.36
September 11, 1902 .....	Sept. 16, 1902	Oct. 8, 1902	Oct. 9, 1902	1,042.88

The aggregate of the payments made by Green to Beavers is exactly 10 per cent on the cost of supplies sold by this company to the Department during a specific time, as shown by the records of the company. Prior to the payment by Green of this 10 per cent, Beavers was paid for post-office sales by Truesdell (Exhibit V-28), but not a specific per cent, as far as can be learned.

Beavers and Green were indicted by the grand jury of the District of Columbia on September 17 and October 1, 1903, under sections 5440, 5451, and 5501 of the Revised Statutes, for conspiracy, fraud, and bribery (Exhibits V-31, V-32, V-33, and V-34).

Green was arrested at Binghamton, N. Y., on September 18, and placed under \$10,000 bail, and Beavers in New York City on September 23, and placed under \$5,000 additional bail to that already given in other cases.

#### CANCELING MACHINES.

There are 8 varieties of machines in use in the postal service for canceling stamps and post-marking mail matter; 6 of these are leased and 2 are purchased outright. The purchase and renting of these machines is under the supervision of the General Superintendent of Salaries and Allowances. The appropriation for the rent and purchase of canceling machines for the fiscal year 1896-97 was \$60,000. This amount has been increased annually until for the present fiscal year it is \$250,000, showing an increase in the amount of money expended for this purpose during the time of Beavers's administration of the Salary and Allowance Division of \$190,000, or over 300 per cent.

## THE BARR-FYKE MACHINE.

This machine is manufactured in Kansas City, Mo., by a company of which M. A. Fyke is president.

An effort was made in 1897 to introduce this machine in the postal service, which resulted on September 16, 1897, in an order being placed for seven machines at an annual rental of \$175. Nothing further was accomplished until Fyke employed the law firm of Dudley & Michener to represent him before the Department, agreeing to pay them \$15 per annum for every machine installed for the first year and \$30 per annum for every machine in use thereafter. This contract was made in the summer of 1898, and on September 6 the company received an order for 20 additional machines at \$175 per annum and in May, 1901, an order for 10 more, making a total of 37. In 1900 the rental of these machines was reduced by the Department to \$150 a year; and in August, 1901, Dudley & Michener notified the Department that they no longer represented the Barr-Fyke Company in any form.

There is no evidence that this company ever employed corrupt means to induce departmental officials to use its machines; though Charles V. Fyke, an agent of the company, states that W. D. Doremus, the inventor of the Doremus canceling machine, advised him in 1898, that if he wanted to succeed he should "get down to business" with Beavers and "give him a share of the proceeds." He says, however, that he never followed out the suggestion because he did not care to do business that way (Exhibit W-80).

At present there are 37 of these machines in use at a rental of \$150 each per annum, making a total of \$5,550 paid to this company annually.

## THE COLUMBIA MACHINE.

The Columbia Postal Supply Company, located at Silver Creek, N. Y., manufactures a canceling machine invented by Fred C. Ielfield in 1898. The company is organized and incorporated under the laws of the State of West Virginia, with a capital stock of \$200,000, divided into 2,000 shares of \$100 each.

The company's first proposal was to rent the Department 100 machines at \$200 per annum. In this it was not successful; but in June, 1900, an order was given for 20 machines at \$150 a year, and in May, 1901, an additional order for 20 machines at the same rate. There are at present 42 machines in use at \$150 per annum, making an annual expenditure of \$6,300 for this machine. It does not appear that any improper means have been used to promote the use of this machine.

## THE PNEUMATIC MACHINE.

The pneumatic canceling machine is promoted by a corporation organized under the laws of the State of Indiana in the year 1898, with a capital stock of \$20,000, divided into shares of \$50 each.

D. M. Ransdell, present Sergeant-at-Arms of the United States Senate, became president of the company and retained such position until March, 1901, at which time he sold his stock and resigned.

An effort was made in 1898 to secure the installation of 100 of these machines at a rental of \$250 per annum, but nothing was accomplished until May, 1899, when an order was received for 20 machines at \$200 each per annum. Ransdell made an effort to secure a more



extended use of the machine, but he was unsuccessful and resigned. In July, 1900, the rent was reduced by the Department to \$150.

Mr. Hugh McK. Landon, secretary of the company, states that he made two trips to Washington in 1902, but was unable to secure any additional orders for his machine. He called upon Beavers, but was referred by him to a clerk named H. Clayton Graff "as the man to do business with" (Exhibit W-72). In a personal conversation with Inspectors Hamilton and Greenaway, Landon said that in a conversation at the time of his second visit to Washington, Graff stated to him (Exhibit W-64):

You know none of us are here for our health. The Government is not liberal in the matter of its salaries and it costs much to live in Washington.

Landon said that there was but one construction he could place upon this statement, and since he did not wish to secure business in that way he ignored the remark of Graff and discontinued his efforts to secure additional orders from Beavers.

At present there are, 20 of these machines in use at \$150 per annum, making a total yearly rental of \$3,000 paid this company.

#### THE AMERICAN MACHINE.

The American Postal Machine Company has transacted an extensive business with the Department. It was incorporated December 23, 1885, under the laws of the State of Maine, with a capital stock of \$1,000,000, divided into 10,000 shares of \$100 each. There were three incorporators—James Barrett, J. G. Cooper, and Sanford Stuart—who contributed \$500 each, making a total of \$1,500 as the sole assets of the company at the time of its incorporation. In 1892 the company issued 8 per cent bonds in the amount of \$100,000. The larger part of the stock and bonds is held by J. G. Cooper and H. B. Rice. Cooper was the original president of the company, but after some years Rice was made president and general manager, and he continued as such until his death early in September of this year.

The first contract the Department had with this company was in 1893, when 17 machines were rented, at \$200 per annum. Since that time the number has been increased year by year until at present there are 462 machines in the service. The annual rental continued at \$200 per annum until 1896, when it was reduced to \$175. In 1900 it was further reduced to \$100 per annum; but in 1901 it was increased to \$110, which is the present rate of rental.

There is no positive evidence that this company has used corrupt means in securing this extensive use of its machines; but there are some very suspicious entries on its books of certain amounts of money paid to "Washington agent," "introduction and care," "legal services," etc. The aggregate of these payments is \$18,580. Rice, the president of the company, stated that most of these payments were made to Alfred D. Cushing, who was employed as the agent of the company in Washington. Cushing's connection with the company terminated in 1900, after which these payments were made to Rice himself, as increased compensation. Cushing states that no money was ever given to officers of the Department.

Before the investigation of this case was concluded, Mr. Rice, president of the company, and who knew more of its affairs than any other, died, and no further information probably can be secured in regard to its dealings with the Department.

There are at present 462 of these machines in use at \$110 a year, making \$50,820 that is being paid this company annually.

#### THE HEY-DOLPHIN.

This machine is manufactured by the International Postal Supply Company, of New York, of which Matthew J. Dolphin is president and manager, and George W. Hey is counsel. The company was incorporated in 1885, under the laws of the State of New York, with a capital stock of \$2,150,000, in shares of \$100 each. Hey and Dolphin control the majority of the stock.

The first contract by the Department for the Hey-Dolphin machine was made in September, 1891, by Postmaster-General Wanamaker, for 100 machines, at a rental of \$400 per annum. In 1895 First Assistant Postmaster-General Jones endeavored to secure a reduction of the amount of this rent, but without success. He therefore refused to renew the contract, and the machines went out of the service.

In 1897, when Jones retired from office and Perry S. Heath was made First Assistant Postmaster-General, Dolphin came to Washington and endeavored to secure the reinstatement of his machines, but without success. In September, 1898, however, he received a letter from First Assistant Postmaster-General Heath offering to install 20 of his machines in the service at \$600 per annum. This offer was declined. Why Heath refused to consider a proposition for renting them at \$400 per annum, yet offered to install a limited number at \$600, does not appear. Dolphin seems to have abandoned further effort until June, 1900, when he learned that Heath was going to resign. About that time he came to Washington, called upon the Postmaster-General in person and secured an order for the rental of 100 machines at \$400 per annum. This was practically a renewal of the Wanamaker order.

There is at present no evidence that any improper means have been used by this company to secure favorable action on the part of departmental officials.

There are now in use 250 of these machines at a rental of \$400 per annum, making \$100,000 a year that the Department is paying this company.

#### THE BARRY MACHINE.

This machine was invented by William Barry, of Oswego, N. Y., in 1883. The first contract between the Department and Barry was in July, 1895, for 100 machines, at a rental of \$150 per annum. After securing this order a company was organized with a capital stock of \$200,000, in shares of \$100 each, with Barry as superintendent.

When the Hey-Dolphin machine was discarded by the Department in 1895, the Barry, in a measure, took its place. In 1897, when the change of administration occurred, the company employed Maj. Ralph Ballin as its Washington agent, which position he held continuously until his death, in February, 1900. Ballin arrived at Washington in May, 1897. He at once called upon First Assistant Postmaster-General Heath and solicited the renewal of the contract for Barry machines. Shortly after this interview Ballin received a call at his room in the Ebbitt House from M. D. Helm, who presented a card written in the handwriting of Heath (Exhibit W-32). Helm stated to Ballin that he was formerly from Muncie, Ind., and an intimate friend of the First Assistant Postmaster-General; that he had access to him

at any hour, either at his residence or office, and was in a position materially to aid the Barry Company in its efforts to secure a renewal of its contract. He finally proposed that for a salary of \$1,200 per annum he would use his influence to that end. Ballin left a detailed account in his own handwriting of his various interviews with Helm. Referring to these interviews, Ballin wrote:

At our last interview last evening he, Helm, offered to give all his influence and earnest, honest efforts, as above described, to you for \$1,200 per annum. \* \* \* I did not write yesterday for I wanted to see Heath and ask him about the arrangement. Am satisfied that Heath is perfectly honest, but wants Helm to do well.

After this interview with Heath he accepted Helm's proposition and employed him at \$1,200 a year from that date. On June 6, in a letter to his company, he says:

As far as Mr. Helm is concerned we have to take him on trust. He has repeated to me certain private conversations he has had with his "dear friend" and the latter is pleased with the readiness his recommendation was acted on. My judgment is that the salary of \$1,200 per annum will prove a small item and that the employment of Mr. Helm will prove well-timed and wise.

On August 20, 1897, Ballin again wrote:

Perry made an appointment with us for Monday afternoon, and I think it probable that action will be had then. Helm did excellent service and talked to Perry "with the bark off." He has access to his home, and his friendship makes Perry listen to his "words of advice to avoid scandal" with great patience.

This employment of Helm was in the nature of a gratuity because of his friendship with Heath. It does not appear, however, that any other money was ever paid by this company to influence departmental officials. Heath denies (Exhibit X) that he ever gave Helm a card to Ballin, and states that he did not know that Helm was employed by the Barry company.

Helm is the same man who secured the contract for twine from the supply division, and was unduly favored by Louis in the purchase of a large quantity of twine during the closing months of the fiscal year 1900-1901 at the excessive price of \$10.95 per hundred. Helm's employment at \$1,200 per annum continued until July 1, 1901, when a different arrangement was made, by which he was paid \$10 for every machine used. In 1897, after the employment of Helm, the rental price of the machines was raised from \$150 per annum to \$175, and in 1898 it was advanced to \$200. In July, 1900, however, after Heath's retirement from the Department, the rent was reduced to \$150.

After the employment of Helm, Ballin seems to have sustained quite intimate relations with Heath and Beavers, so intimate, indeed, that Beavers appealed to him to aid him in securing an increase of \$500 in his salary in 1898. On January 12 of that year Ballin wrote his company as follows (Exhibit W-31):

Beavers wrote to-day to these offices for a report on the Barry machines recently installed, and requested that they send him samples of the work. He wants an increase in salary of \$500 and asked me to help him. \* \* \* Of course I cheerfully assented, and I think it good policy to do it.

There are at present 75 of the Barry machines in use at \$150 per annum, making \$11,250 paid this company.

#### THE HAMPDEN MACHINE.

The Hampden stamp-canceling machine was invented by W. R. Landfear in 1890. In 1892 Timothy Merrick, of Holyoke, Mass.,

became interested in it. In 1896 Landfear made a vigorous effort to interest the Department in the use of his machine, and employed D. M. Hurlburt as his Washington agent. Hurlburt made a proposition to the Department to sell 100 machines at \$200 each, which was declined. In April, 1897, after Perry S. Heath became First Assistant Postmaster-General, Landfear renewed the offer, but it was ignored. In the meantime, however, 10 machines had been installed, at a rental of \$175 per annum.

The company was reorganized on June 8, 1898, and George N. Tyner, a brother of late Assistant Attorney-General Tyner, secured a controlling interest in the stock; and another effort was made to sell machines to the Department. The result was that on December 8, 1898, First Assistant Postmaster-General Heath ordered 50 machines at \$300 each, and a few months later additional orders were given, until 100 had been purchased. The same machine, with a few slight changes, that had been refused by First Assistant Postmaster-General Jones in 1896 at \$200, and again in 1897 by Heath at the same price, was now purchased at \$300. George N. Tyner was interested by Landfear and Merrick apparently for no other reason than that they might, through his brother, James N. Tyner, secure business from the Department. Landfear states that the machine had been greatly improved. In referring to this he said (Exhibit W-39):

At the request of Assistant Postmaster-General Heath the machine has been so remodeled that the cost was greatly enhanced by introducing a pedestal structure and more expensive machinery.

The actual cost of manufacturing the 100 machines bought by the Department, as shown by Exhibits W-39 and W-40, was \$70 each for the first 50, and \$80 each for the second 50. Whether or not the machine purchased was an improvement over the old one is difficult to determine, but that the new machine was useless there is no doubt; and there is evidence that its worthless character was known to First Assistant Postmaster-General Heath and Beavers before the last order was given. Of the ten postmasters who tested the machines, eight reported adversely, one reported favorably, and then reconsidered, leaving but one testimonial out of the ten that could be considered favorable.

Edward S. Allen, at present a clerk in the post-office at Cleveland, Ohio, states (Exhibit W-41) that in May, 1899, he was detailed by First Assistant Postmaster-General Heath to take charge of the installation and inspection of canceling machines. He accompanied George W. Beavers to Hartford, Conn., and inspected the Hampden machine at the factory. Allen remained there for about two weeks, and thoroughly tested the machines. He says:

During that period I wrote numerous letters to the Department wherein I stated plainly that the machines could not be made serviceable.

But notwithstanding these reports, the machines were ordered and Allen was assigned to install them. In relation to this work Allen further states:

I proceeded throughout the country, visiting numerous offices, installing these machines. In no instance can I truthfully say that these machines gave satisfaction, and in a number of cases the postmasters beseeched me to request of the Department that the machines be not uncrated, but be assigned elsewhere, saying that they would rather have no machine, but would rather use hand stamp than have a machine of this make installed, all of which was covered in my previous reports to Mr. Beavers, which in every instance were adverse.

But despite these adverse reports, 50 more of these machines were purchased in 1899 at \$300 each.

Allen was a brother of the late George M. Allen, at that time chief clerk to the First Assistant Postmaster-General. His frank reports upon the merits of the Hampden canceling machine were not satisfactory to Heath or Beavers, and he says he was plainly advised that such reports were not desired by the Department. In reference to this matter he says:

Having returned to Washington after one of my trips, I was called into Mr. Beavers's office and asked to be seated opposite him at his desk. He leaned over his desk, and looking squarely at me he said, "Allen, you have got to quit your talking. You have got to get off the grass." I had been forewarned by my brother, who is now passed away, that it was Mr. Heath's desire that these machines must be installed, and he had warned me also that it was the desire of Mr. Beavers and the General that I did less talking derogatory to the machine. I consequently knew what Mr. Beavers meant. From that time on it was my desire and purpose to simply install machines and refrain from any comment.

The machines proved worthless, and in April, 1901, bids were requested from firms in Washington for remodeling them. The bid of the Doremus Machine Company was accepted, and a number of the machines were rebuilt, at a cost to the Department of \$31.50 each, but still they were not a success. The records of the Department show that of the 100 machines purchased in 1898, but 17 were in use on April 29, 1903, 83 having been discarded. George N. Tyner was called upon by the inspectors, but he refused to make any statement. In the interview he said:

I know what you gentlemen want. You want to get evidence connecting Perry S. Heath, George Beavers, and my brother with these post-office steals, and I can tell you honestly that neither one of them, or anybody else, ever got a dollar in any way, shape, or form in connection with this Hampden canceling machine; and then do you suppose for a minute that if I knew anything incriminating against my brother I would be fool enough to tell you?

He declined to permit the inspectors to examine the records of the company, refusing them any information whatever. More than three years have elapsed since these transactions occurred, and because of the statute of limitation the matter was not presented to the grand jury.

The company was dissolved in 1903 and quit business. After paying all expenses there was \$21,940.66 as dividends to the three stockholders, Tyner, Merrick, and Landfear. Tyner and Merrick were allowed, in addition to the dividends paid them, \$2,635.32 and \$2,639.64, respectively, for sums of money alleged to have been advanced by them in perfecting the machine (Exhibits W-40 and W-48).

The evidence in this case as set forth in the exhibits indicates that, at the request of James N. Tyner, Heath and Beavers paid \$300 each for these worthless machines that had been twice offered to the Department for \$200, and that at the time the machines were ordered they had abundant reason to believe they were not a success.

#### THE DOREMUS MACHINE.

The Doremus is a hand-power canceling machine, invented by W. D. Doremus, of Washington, D. C., and manufactured by the Doremus Machine Company. Its original promoters were Doremus, L. T. Michener, member of the law firm of Dudley & Michener, of Washington, and H. J. Truesdell, of Binghamton, N. Y. The com-

pany was organized August 3, 1899, and capitalized for \$100,000, divided into 1,000 shares of \$100 each. Of the 1,000 shares, 250 were reserved as treasury stock, the remaining three-fourths being divided equally between Doremus, Truesdell, and the firm of Dudley & Michener. The 250 shares of treasury stock were transferred shortly after the organization of the company to George E. Green, of Binghamton, N. Y., in consideration of his agreement to guarantee the expense of manufacturing the first 100 machines.

It was also agreed that he should be reimbursed for any expenditures he might incur from the proceeds of the first sales of the machines. Doremus was elected president when the company was organized; Truesdell, treasurer and manager. But a year later Doremus was superseded as president by Green, who holds the position at the present time. Doremus first interested Michener in his invention. Michener suggested Truesdell as a man who could aid him in promoting his device. Truesdell was at that time general agent for the Bundy Clock Company, of which Green was president, and through Truesdell Green became interested in this canceling machine.

Truesdell, as we have seen heretofore, was intimate with Beavers, and when the machine was tested Beavers was present to watch its operations. After carefully observing the test Beavers familiarly remarked to Truesdell: "Herb., if that works in a post-office as well as it does here you have got a fortune." At Beavers's suggestion 2 machines were constructed and placed in the Washington post-office to be tested. On May 16 a proposition was made to sell to the Department these machines, at \$250 each, and the following day an order was given the company for 10 at that price; but for some reason this order was not filled, and on June 28, about six weeks later, an order was placed for 75 machines at \$150 each. After this order had been given, the firm of Dudley & Michener requested Beavers to ask for a report from W. Scott Towers, superintendent of Station C, of the Washington post-office, in regard to the merits of the machine. On July 15 Towers made the report, but it did not seem to please Beavers, and he requested another, asking Towers to make "the best report possible." (Exhibit W-1.) This "best report possible" was made as requested. Beavers did not wait for it, however, before giving an order for 75 machines.

After this order was given the Doremus company contracted with the Garvin Machine Company, of New York, to build 100 machines at a cost of \$45 each. This price did not include certain equipment which was furnished by the Doremus company at an expense, it is claimed, of \$11.75, making the total cost of each \$56.75 (Exhibit W-2). The first shipment of machines was made in December, 1899; and on the 14th of that month, before any report as to their efficiency was received, an additional order for 25 was given. This first machine is known as model No. 1; and long before the 100 had been delivered the Department received numerous complaints from postmasters, stating that they were worthless.

On account of the great dissatisfaction with model No. 1 the Doremus company established a factory of their own in Washington and began the manufacture of model No. 2, and solicited further business from the Department. It was claimed that model No. 2 was a greatly improved machine and much more expensive to construct than No. 1, and on June 30, 1900, Beavers, without testing its efficiency, contracted

for 100 model No. 2, at \$225 each. The company was not ready to ship this new model until December, however, and in the meantime complaints continued to come from postmasters of the useless character of the Doremus machine.

As a result of these numerous complaints a proposition was made by the company to exchange the new machine for the old one by the Department paying \$75 additional, which proposition was accepted. The cost of the new machine (Exhibit W-2) was between \$45 and \$50.

Model No. 2, however, did not prove any more satisfactory than model No. 1, as indicated by the following letters from postmasters.

On April 9, 1901, Winslow Gray, postmaster at Campello, Mass., wrote:

The Doremus canceling machine just received is worse than the old one. It looks to me as if it was an experiment. I am not sure of a good postmark any time when using it, nearly half the letters run through come out like the one inclosed, and we are obliged to stamp them over by hand. It is easier to stamp all by hand than to use the machine.

On May 3, 1901, the postmaster at Dixon, Ill., wrote:

It is my duty to report that the Doremus canceling machine has not been in use in this office for about six weeks, my clerks claiming that they can do better work by hand.

H. M. Glen, postmaster at Seneca Falls, N. Y., on April 20, 1901, wrote:

Some two months ago one of the Doremus machines was placed in this office. \* \* \* We have tried every way to make a success of it, but failed, so that it stands idle. A general repair inspector came here and tried to adjust it, but with no success. My chief clerk is a mechanical engineer and was at one time the superintendent of a large machine shop here, and he has given considerable time in trying to make it work, but with no success.

The postmaster at Louisville, Ky., on May 18, 1901, wrote:

In April, 1901, a new machine was received from the Doremus Machine Company and immediately installed at Station B under the direction of the Department inspector of canceling machines. After a most thorough and impartial trial this office, under date of May 2, 1901, reported the new machine as entirely unsatisfactory, and that attempts to utilize it involved so much delay and annoyance that we had been compelled to abandon the use of it entirely. As the machine is entirely useless to us, and is occupying space that could be utilized for better purposes, I hesitate about paying this bill until all the facts are laid before your Department for consideration.

R. J. Cox, postmaster at Delaware, Ohio, on June 24, 1901, wrote:

I desire to protest against the use of the Doremus canceling machine at this office. I believe the machine is a failure. \* \* \* Our present Doremus machine is the second one furnished us, and it is very little better than the first one.

These are but samples of the many letters received.

Yet, in the face of these complaints, before the last order had been completely filled, a third order for 100 machines was given. The protests from postmasters, however, became so numerous and positive that the company was, on July 19, 1901, directed to withhold further shipments on this last order until the machines could be improved. The new machine was examined by H. C. Graff, inspector of canceling machines, who reported 35 items for improvement in its construction (Exhibit W-18).

As a result of the second failure the company again undertook to improve the machine so as to make it of some practical value. Model No. 3 was created, and promptly on December 17, 1901, another order

was given for 100 machines of this latest model at \$225 each. An agreement was made to exchange model No. 3 for model No. 2 by the payment of \$75 difference; but No. 1 was not included in this last exchange agreement. Of the 200 machines purchased of models Nos. 1 and 2 only 39 are now in use, the remaining 161 being practically a net loss. Model No. 3 proved to be fairly satisfactory.

The following shows the date, number, and price of the Doremus machines ordered by the Department:

June 28, 1899, 75 machines, Garvin Machine Company, \$150	} No. 1.
Dec. 14, 1899, 25 machines, Garvin Machine Company, \$150	
June 30, 1900, 100 machines, Doremus Manufacturing Company, \$225	} No. 2.
May 3, 1901, 100 machines, Doremus Manufacturing Company, \$225	
Dec. 17, 1901, 100 machines, Doremus Manufacturing Company, \$225	} No. 3.
May 3, 1902, 200 machines, Doremus Manufacturing Company, \$225	

This makes a total of 600 ordered and paid for. In addition to this, 64 were ordered for exchange of models Nos. 2 and 3, and seven additional orders for specific offices, making a total of 671 machines purchased from this company by the Department at a cost of \$143,475.

This is a repetition of the story of automatic cashiers and Elliott & Hatch typewriters, except that it is on a larger scale. The motive that induced the purchase of these worthless machines was developed by Inspectors Holmes and Gregory. Their report is submitted as Exhibit W-1.

On December 11, 1899, Dudley & Michener sold their stock to Truesdell. He immediately transferred it to Green, who then became owner of half the stock of the company.

#### HEATH ACCUSED.

In 1901 Truesdell and Green became estranged, and as a result, Truesdell left the employ of the Bundy Clock Company and also sold his interest in the Doremus canceling machine. When interviewed by the inspectors Truesdell stated that before the order of June 30, 1900, was given for 100 machines of the model No. 2, 200 shares (\$20,000 worth) of the stock of the company was transferred to Perry S. Heath, First Assistant Postmaster-General; that in consideration of the transfer of this stock Heath promised to order not less than 300 machines at \$225 each. In his affidavit (Exhibit W-3) Truesdell states that Green told him that he had made this agreement with Heath at the Waldorf-Astoria Hotel one Saturday night, and that he thought Truesdell and Doremus should "whack up" with him. Truesdell states that he agreed to contribute his share, and that he transferred 50 shares of his stock to Green for that purpose. Truesdell further states that Green at the time submitted to him a telegram or letter from Heath, in disguised expression, acknowledging receipt of the certificates of stock; and that afterwards he, Green, and Doremus discussed the matter, and Doremus agreed to contribute 50 shares of his stock. Doremus denies any knowledge of stock having been given to Heath, but states that he did contribute 50 shares of stock, par value \$5,000, to Green to be used for the best interests of the company. Truesdell further states that Green at a subsequent date purchased back from Heath this stock. Doremus admitted to the inspectors (Exhibit W-2) that Truesdell told him subsequently that the stock which Green asked them to contribute was to be transferred to Perry S. Heath in consideration of receiving a large order for machines.



Ida E. Crowell, Truesdell's secretary, who was a bookkeeper in the office of the Doremus Machine Company from October 3, 1900, until August, 1901, states that Doremus, in discussing the transfer of this stock to Heath, in her home in New York, at 234 West Twenty-first street, stated that he thought it was a mistake to give the stock to Heath; that he was now out of the Department and could no longer be of service to them, and that Green had given stock to the wrong man (Exhibit W-12).

Heath refused to make a written statement, but said verbally to Inspector Simmons that he never received any stock from the Doremus Canceling Machine Company, or any remuneration of any kind, directly or indirectly (Exhibit X). Beavers and Green declined to talk in regard to the matter.

A summary, therefore, of the evidence as to Heath's having received this stock is as follows: The stock of the company was practically owned by three individuals—about 50 per cent by Green, 25 per cent by Doremus, and 25 per cent by Truesdell. Truesdell says Green told him that he agreed to transfer to Heath \$20,000 worth of this stock in consideration of receiving an order for not less than 300 machines; that Green asked him to contribute his proportion, or \$5,000 worth of the stock, which he did. Doremus stated that he contributed \$5,000 worth of his stock to Green, to be used in the interest of the company, but in what manner it was used he does not know.

Ida E. Crowell, bookkeeper of the company, states that she heard Doremus discussing the subject of stock having been given to Heath, in which he criticised the judgment of Green for so doing.

Heath denies that he received the stock. Green and Beavers refuse to talk.

From the above it is evident that Green told Truesdell and Doremus he had given this stock to Heath, and that they believed it. Otherwise they would not have contributed their share of the "gift."

#### MONEY TO BEAVERS.

Truesdell in his affidavit states that on each machine sold the Department after the first order for 100 of model No. 1 the company was required to pay Beavers \$25, which he stated was to be divided with Heath; that on the first 100 he did not receive \$25 each, but a lump sum of money, as he remembers, \$500; that he met Beavers by appointment at South Ferry, New York, where they took a hansom cab and rode several blocks, at which time he paid Beavers this money as a "gift" on account of the first order for 100 machines.

Truesdell further states that the agreement that Beavers should receive \$25 on each machine was first discussed by Beavers, Green, and himself at the St. James Building, New York, and afterwards consummated at the Raleigh Hotel in Washington. In regard to the payments to Beavers, Truesdell says that he made them to him personally as long as he was connected with the company; that Beavers usually came to the office at 300-302 Thirteenth street NW., Washington, D. C., and received the money; that when he made a payment to Beavers he would secure the money by sending his bookkeeper, Mrs. Ida E. Crowell, to the bank with a check; that she would have the check cashed and bring the currency to him and then absent herself from the room when Beavers called to receive it; that the amount of these payments was entered upon the books of the company as "com-

mission account;" that the character of this account was known to Doremus and Green and was frequently a subject of conversation between them; that—

Frequent statements were made from the books, at the request of Green, for his information by the bookkeeper, Mrs. Ida E. Crowell. Such statements, showing the item of "commission," were usually examined by W. D. Doremus, and duplicates of the same were retained in the office of the company. The payments to Beavers referred to, and which Beavers alleged were to be divided with Perry S. Heath, were made with the positive knowledge and approval of George E. Green and W. D. Doremus.

Truesdell states that when the third order was given for 100 machines in the year 1901 the same arrangement was continued and that Beavers was to be paid \$25 per machine. Beavers stated to him that he supposed Heath would still expect his share, even after he had left the Department.

Truesdell states that he knows from personal knowledge that four sums of \$500 each were paid to Beavers, namely:

\$500 paid in New York in the spring of 1900.  
 \$500 paid February 13, 1901.  
 \$500 paid February 27, 1901.  
 \$500 paid March 14, 1901.

Ida E. Crowell, the bookkeeper, in an affidavit (Exhibit W-12) states that she drew the checks, usually for \$500 each, and had them cashed, procuring, as she remembers, bills of \$100; that when she returned to the office with the money Beavers would be advised by telephone to call; that when Beavers in response to this invitation, came to the office she retired from the room, and that when she returned the money was gone and she would charge the amount in the blotter and on the ledger to "commission account." She further states that she heard Doremus and Truesdell discussing the "commission account" and knows that Doremus was thoroughly familiar with the proceedings (Exhibit W-12).

These checks were drawn on the account of the Doremus Machine Company at the Seventh National Bank of New York and cashed by the Citizens' National Bank of Washington, D. C. An examination of the records of the Citizens' National Bank confirms the statements of Truesdell and Ida E. Crowell as to the cashing of checks in the amounts named:

February 13, 1901 .....	\$500
February 27, 1901 .....	500
March 14, 1901 .....	500

The statements of Truesdell and Ida E. Crowell are corroborated in a general way by William W. Long, of Washington, D. C., who says (Exhibit W-13) that from May, 1901, until the latter part of August of the same year he was employed to post the books of the Doremus Machine Company; that he made two complete sets of books, consisting of blotter, cash book, and ledger; that he found on the old ledger an account entitled "commission account," and that subsequently in posting the books he made other entries in the "commission account;" that the items for such entries were taken from the blotter where they had been entered by Mrs. Crowell as follows: "To cash, \$——, commission account," with the date of entry, but without the name of the individual; that his recollection is that these items usually amounted to about \$500.

Mrs. Ida E. Crowell, the bookkeeper, left the employ of the company in August, 1901, and Truesdell in the October following, and they have no further knowledge of its transactions. After the termination of Truesdell's employment, Green attended to the business personally, as in the case of the Bundy clocks. Fortunately he has left a more definite record of the payments to Beavers than was made by Truesdell.

As has been stated, an account of the company was kept in the Seventh National Bank, of New York. In the same bank Green also kept an account. On March 14, 1902, Green drew a check for \$500 on the account of the Doremus Machine Company in the Seventh National Bank; on March 15, the personal account of Green in the same bank was credited with the same amount, and on March 18 Beavers deposited in his account in the Nassau Trust Company, of Brooklyn, N. Y., a check on the Seventh National Bank, of New York, for \$500. And on March 19 the personal account of Green in the Seventh National Bank, of New York, was charged with a check for \$500.

On May 10, 1902, a check for \$1,000 was charged to the account of the Doremus Machine Company in the Seventh National Bank, and on the same day the personal account of Green was credited with that sum; four days later, George W. Beavers deposited by letter from Washington, D. C., with the brokerage firm of Moore & Schley, of New York, the personal check of George E. Green for \$1,000.

On June 14, 1902, the account of the Doremus Machine Company in the Seventh National Bank of New York is charged with a check for \$1,750, and on the same day the personal account of Green in the same bank is credited with the identical sum. The next day Beavers deposited with the brokerage firm of Moore & Schley the personal check of George E. Green for \$1,750.

There were 130 Doremus canceling machines installed by the Post-Office Department from January 1, 1902, to June 1, 1902. The three checks referred to aggregate \$3,250, an amount exactly equivalent to \$25 each on 130 machines.

The following is a summary of the foregoing payments by the Doremus Machine Company to Beavers:

\$500 paid at South Ferry, New York, spring of 1900, by Truesdell.  
 500 paid at Washington, D. C., February 13, 1901, by Truesdell.  
 500 paid at Washington, D. C., February 27, 1901, by Truesdell.  
 500 paid at Washington, D. C., March 14, 1901, by Truesdell.  
 500 paid March 18, 1902, by Green, check on Seventh National Bank, New York.  
 1,000 paid May 14, 1902, by Green, check on Seventh National Bank, New York.  
 1,750 paid June 15, 1902, by Green, check on Seventh National Bank, New York.

5, 250

One hundred and sixty-eight machines have been furnished by this company that have not yet been paid for, leaving an unadjusted balance of \$38,000. I respectfully recommend that this be not paid until the liability of the Department is legally determined.

When it was publicly known that an investigation was to be made of Beavers's official record, Green manifested the same anxiety for immediate action by the Department in the matter of canceling machine contracts that he did in reference to Bundy clocks. On May 21 he wrote the First Assistant Postmaster-General as follows (Exhibit W-15):

My attention has been called to the fact that one or two "yellow journals" have mentioned the name of the Doremus Machine Company in connection with some of

the "scandals." In behalf of the company, and for myself personally, I beg to assure you that there is not one single transaction which we have had with the Post-Office Department or the Government officials that we are not only willing, but glad, to have dissected on the top of the table in plain sight of everybody. I believe this assurance is unnecessary to make to you.

And on May 30 he wrote the Fourth Assistant Postmaster-General, saying (Exhibit W-15):

Permit me to assure you that there is nothing, so far as I am informed, differing in the business transactions with the Government and the Post-Office Department from those with commercial customers; nothing in connection with negotiations or business conditions to conceal, but, on the contrary, both of these companies court the fullest and most open investigations possible concerning each and every transaction, past, present, or future.

While doubtless both companies would be gratified to continue pleasant business relations with the Government, the greatest anxiety on the part of the managements consists in not wanting to be placed in a false position from misinformation or want of information respecting the complete and exact facts relating to past or present transactions.

When the inspectors had fully familiarized themselves with the case so that they could intelligently interrogate Green, they called upon him and asked specifically in regard to these financial transactions with Beavers, but he refused to make any statement whatever.

He was then subpoenaed to appear before the grand jury for the District of Columbia, and was there questioned by the district attorney, but he still refused to answer, hiding behind the provision of the law that a man can not be compelled to testify if such testimony would incriminate himself.

The inspectors also called upon Doremus and asked permission to examine the books of the company to verify or disprove the truth of the statements of Truesdell, Ida E. Crowell, and Long, but they were refused permission to see the books. Doremus claimed that they were not in his custody; that he had no authority over them, and could not, therefore, permit them to be examined; that they were in the charge of L. S. Fish, the bookkeeper. Fish was then subpoenaed to produce the books before the grand jury. He answered the subpoena, but stated that the books of the company had been burned last winter.

The case was presented to the grand jury of the District of Columbia, and on October 5, 1903, indictments were found against Green, Doremus, and Beavers (Exhibits W-88 and W-89).

The evidence against Heath was also submitted, but the district attorney decided that it was not sufficient to warrant his indictment.

The administration of Beavers was, if possible, more demoralizing upon the integrity of the service than that of Machen. Machen sought to avoid the appearance of evil, to cover up his corrupt intrigues, and to keep his real purposes hidden from the public view. Beavers was reckless in his methods and seemed to care little for the outward appearance; but he was exceedingly careful that no legal evidence should exist of his unlawful acts. He would not accept Truesdell's check. At first he would not even take currency direct from Truesdell's hand, but required it to be placed in a drawer and everybody to leave the room, that he might go in unobserved and secure the money without anybody even having seen him enter. But long-continued criminal practices make men bold, and finally he began to accept Green's checks and money from Towers in such a way that a written record of the transactions was left. There are many irregularities in Beavers's

record of minor importance as compared with the canceling machine, automatic cashier, and typewriter swindles. To illustrate:

From July 1, 1898, to May 31, 1899, Beavers was paid a per diem of \$4 for every day in the week, Sunday excepted, upon the theory that he was employed in the adjustment of letter carriers' overtime in the New York post-office, when in fact he rendered no service of that kind whatever. The payment was authorized by the auditing office upon the theory that Beavers's salary was not commensurate with the value of his services (Exhibit X-1).

In 1898 he made an alleged official trip to the Pacific coast (Exhibit X-2); and after a junket of about six weeks he rendered a bill to the postmaster at Washington for \$324 as "expenses," without submitting a single voucher or receipt. This bill was paid and passed the auditing office, while the accounts of other officers were scrutinized with great care. But the limitations of this report will not permit a narrative of minor details. That must be left for the exhibits.

### CONCLUSION.

For the purposes of this report, the investigation ordered by you on March 7 has been completed. In the preparation of cases for trial, where indictments have been found, information may be secured which will necessitate further investigation and possibly involve persons not now implicated.

More than 40 inspectors have been employed upon this work; some of them continuously every day since the investigation began. The records of a thousand post-offices have been examined and the files of many divisions of the Department, covering a period of from six to ten years, scrutinized.

The system of organized corruption that has been disclosed began in 1893 and continued until stopped by this investigation. The amount of money secured by the corrupt officials and their confederates is small as compared with the total loss to the Government. To illustrate: There is no evidence that Louis received any compensation from Ault & Wiborg, yet during the first year of his administration the expenditures for canceling ink increased over \$10,000.

It does not appear that Kempner received money from the manifold company, yet the cost of manifold supplies increased more than \$40,000 a year.

Barrett received but \$6,000 from Arnold, yet that company defrauded the people out of over \$3,000,000.

Machen probably did not receive more than \$26,000 from the Groff fastener. Yet the Government has paid approximately \$130,000 for that device, which represents a net loss, since the Department continued, by the terms of the contract for letter boxes, to pay for the original fasteners.

Beavers and his associates received less than \$20,000 from the automatic cashier. Yet the Department expended \$74,275 for this wholly unnecessary machine.

The total amount that the perpetrators of these frauds themselves received can not be definitely learned, but it will aggregate between \$300,000 and \$400,000; while the loss to the Government, considering the unnecessary supplies that have been purchased and the inferior

quality of those furnished by fraudulent contractors, can not be estimated with any degree of accuracy.

As the gross abuses have been brought to light they have been promptly corrected by the proper departmental officers. Contracts, where fraud has been discovered, have been annulled.

As a result of the investigation, four officers and employees of the Department have resigned and thirteen have been removed. Forty-four indictments have been found, involving thirty-one persons, ten of whom have been connected with the postal service. Attached to this report is a list of those who have been separated from the service by resignation and removal; also a complete list of the indictments and the persons involved.

I can not speak in too high praise of the industry and intelligence of the inspectors and their loyalty to the interests of the service. The success of the investigation is largely due to them. They have sought the truth with eagerness and skill. No accounts have been too intricate for them to unravel, no labor too burdensome to undertake. Under the immediate charge of Chief Inspector William E. Cochran they have worked in perfect accord. A list of the inspectors who have been employed on the investigation is attached to this report.

The results of the investigation demonstrate that all traveling agents of the Department, such as assistant superintendents of Salaries and Allowances, of the Free Delivery Service, the Railway Mail Service, and the Registry System, and inspectors, should be placed under one organization.

A number of changes should be made in the organization of the Department in order to provide a more perfect check on the operations of various divisions, and some restrictive legislation affecting the divisions of Salaries and Allowances, of Rural Free Delivery, and possibly others may be necessary. What the service most needs, however, is honest, intelligent, and vigorous administration. The corruption disclosed is not due to lax laws but to the dishonesty of those who have been charged with the responsibility of administering them.

In closing permit me to express my most sincere appreciation of the cordial support I have received from you during the progress of the investigation. The hearty cooperation of First Assistant Postmaster-General Wynne, whose bureau has been so largely involved, and of Assistant Attorney-General Robb has been of great value.

Respectfully submitted.

J. L. BRISTOW,  
*Fourth Assistant Postmaster-General.*

The POSTMASTER-GENERAL.

## APPENDIX.

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### LIST OF INSPECTORS EMPLOYED ON THE INVESTIGATION.

W. E. Cochran, chief inspector.

#### *Inspectors in charge of divisions.*

Martin C. Fosnes, St. Paul.  
Paul E. Williams, Chattanooga.  
William J. Vickery, Cincinnati.  
Joe P. Johnston, New Orleans.  
George D. Linn, Spokane.  
John R. Harrison, Kansas City.  
Lawrence Letherman, Boston.

#### *City inspectors.*

Walter S. Mayer, Chicago.  
George M. Sutton, Washington.  
Ervin H. Thorp, New York.  
James O'Connell, San Francisco.  
Frank E. Little, New York.  
Abraham R. Holmes, Cincinnati.  
Frank M. Hamilton, New Orleans.  
Robert M. Fulton, St. Louis.  
Joseph D. Farrell, Chicago.  
John D. Sullivan, St. Louis.  
Michael H. Boyle, New York.  
Charles H. Thomas, Chicago.  
Edward L. McKee, Kansas City.  
Charles E. Crowell, Brooklyn.  
William B. Snow, Boston.  
James T. Cortelyou, Jersey City.  
Albert E. Furniss, Washington.  
Walter B. Piatt, St. Louis.

#### *Field inspectors, with division to which assigned.*

Rush D. Simmons, Kansas City.  
Confucius L. Wayland, Spokane.  
Lake Jones, Chattanooga.  
Edwin A. Niess, Boston.  
John F. Oldfield, Cincinnati.  
Emmons Rolfe, New Orleans.  
Hardy T. Gregory, Chattanooga.  
Nathan Noile, St. Paul.  
George F. H. Birdseye, Boston.  
James E. Bennett, Denver.  
William E. Greenaway, Chattanooga.  
John W. Bulla, Washington.  
James J. Smyth, Chattanooga.  
Harry B. Hall, San Francisco.  
William M. Ketcham, Chicago.  
Sherman C. Kile, Cincinnati.  
George W. Holloway, jr., Chicago.

## RESIGNATIONS.

George W. Beavers, General Superintendent of Salaries and Allowances. Appointed to clerkship in New York post-office January, 1881. Resignation accepted to take effect March 31, 1903.

G. A. C. Christancy, assistant attorney, Post-Office Department. Appointed January 1, 1901. Resignation accepted October 12, 1903.

Charles T. McCoy, assistant superintendent, Free-Delivery Service. Appointed post-office inspector March 18, 1898. Resignation accepted October 17, 1903.

William H. Landvoigt, superintendent, classification division. Appointed temporary messenger August 6, 1875. Resignation accepted October 24, 1903.

## REMOVALS.

James N. Tyner, Assistant Attorney-General for the Post-Office Department. Appointed special agent, Post-Office Department, March 7, 1861. Removed April 22, 1903.

Daniel V. Miller, assistant attorney, Post-Office Department. Appointed July 1, 1902. Removed May 25, 1903.

James T. Metcalf, Superintendent Money-Order System. Appointed post-office inspector February 2, 1882. Removed June 17, 1903.

A. W. Machen, General Superintendent Free-Delivery Service. Appointed clerk in post-office at Toledo, Ohio, March 1, 1887. Removed May 27, 1903.

Charles Hedges, superintendent of city free-delivery service. Appointed assistant superintendent Free-Delivery Service July 1, 1898. Removed July 22, 1903.

James W. Erwin, assistant superintendent, Free-Delivery Service. Appointed post-office inspector June 27, 1887. Removed September 16, 1903.

Louis Kempner, superintendent, Registry System. Appointed clerk in post-office at New York, N. Y., August, 1886. Removed October 21, 1903, as recommended.

W. Scott Towers, superintendent Station C, Washington, D. C. Appointed clerk Washington post-office November, 1890. Removed October 1, 1903.

Otto F. Weis, assistant superintendent, registry division, New York, N. Y., post-office. Appointed clerk New York post-office June, 1890. Ordered removed October 21, 1903.

T. W. McGregor, clerk, free-delivery division, in charge of supplies. Appointed page, Post-Office Department, March 11, 1891. Removed June 5, 1903.

C. E. Upton, clerk, free-delivery division. Appointed July 1, 1900. Removed June 5, 1903.

M. W. Louis, Superintendent of Supply Division. Appointed cashier, Kansas City, Mo., post-office, April 17, 1897. Removed October 21, 1903, as recommended.

Charles B. Terry, clerk, supply division. Appointed temporary clerk September 20, 1900. Removed October 21, 1903.

Many of these persons have been separated from the service since they were first appointed, but only the original appointments have been given.

## PERSONS INDICTED AND NUMBER FOUND AGAINST EACH.

	No. of indictments.		No. of indictments.
Machen, A. W .....	14	Hallenbeck, H. C .....	2
Beavers, George W .....	8	Doremus, W. D .....	2
Green, George E .....	5	Scheble, Eugene D .....	2
Barrett, H. J .....	5	Crawford, Wm. G .....	2
Groff, Diller B .....	3	Upton, C. E .....	1
Groff, Samuel A .....		Runkle, Maurice .....	1
Tyner, James N .....	3	Metcalf, James T .....	1
Long, William C .....	3	Metcalf, Norman R .....	1
McGiehan, Isaac S .....	3	Stern, Leopold J .....	1
Huntington, Geo. H .....	3	Erwin, James W .....	1
Towers, W. Scott .....	3	Driggs, Edmund H .....	1
Lorenz, George E .....	2	Miller, George F .....	1
Lorenz, Martha J .....		Miller, Daniel V .....	1
McGregor, Thomas W .....	2	Johns, Joseph M .....	1
Cupper, John T .....	2		

Indictments against two other persons have been returned, but the arrests have not as yet been made.



The following is a list of the indictments that have been found:

*At Washington, D. C.*

Indictment No. 23786. August W. Machen, indicted June 5, 1903, for violation of section 5501, Revised Statutes. Accepting a bribe in connection with purchase of Groff fasteners.

Indictment No. 23788. Diller B. Groff and Samuel A. Groff, indicted June 8, 1903, for violation of section 5451, Revised Statutes. Bribery of A. W. Machen, in connection with purchase of Groff fasteners.

Indictment No. 23810. George E. Lorenz, Martha J. Lorenz, August W. Machen, Diller B. Groff, and Samuel A. Groff, indicted June 22, 1903, for violation of section 5440, Revised Statutes. Conspiracy to defraud the United States in connection with purchase of Groff fasteners.

Indictment No. 23823. August W. Machen, indicted June 29, 1903, for violation of section 5501, Revised Statutes. Accepting a bribe in connection with purchase of Groff fasteners.

Indictment No. 23824. Diller B. Groff and Samuel A. Groff, indicted June 29, 1903, for violation of section 5451, Revised Statutes. Bribery of A. W. Machen in connection with purchase of Groff fasteners.

Indictment No. 23860. August W. Machen, Thomas W. McGregor, and Maurice Runkle, indicted July 31, 1903, for violation of section 5440, Revised Statutes. Conspiracy to defraud the United States in connection with purchase of carriers' pouches.

Indictment No. 23861. August W. Machen, John T. Cupper, and William C. Long, indicted July 31, 1903, for violation of section 5440, Revised Statutes. Conspiracy to defraud the United States in connection with the painting of street letter and package boxes.

Indictment No. 23862. Leopold J. Stern, August W. Machen, and William C. Long, indicted July 31, 1903, for violation of section 5440, Revised Statutes. Conspiracy to defraud the United States in connection with the purchase of carriers' satchels and shoulder straps.

Indictment No. 23863. John T. Cupper, indicted July 31, 1903, for violation of section 5451, Revised Statutes. Bribery of August W. Machen in connection with painting of street letter and package boxes.

Indictment No. 23864. William C. Long, indicted July 31, 1903, for violation of section 5451, Revised Statutes. Bribery of August W. Machen in connection with painting of street letter and package boxes.

Indictment No. 23865. August W. Machen, William G. Crawford, George E. Lorenz, and Martha J. Lorenz, indicted July 31, 1903, for violation of section 5440, Revised Statutes. Conspiracy to defraud the United States in connection with purchase of carriers' satchels and shoulder straps.

Indictment No. 23866. William Gordon Crawford, indicted July 31, 1903, for violation of section 5438, Revised Statutes. Making and presenting false claims in connection with purchase of carriers' satchels and shoulder straps.

Indictment No. 23906. Isaac S. McGiehan, George H. Huntington, and A. W. Machen, indicted September 8, 1903, for violation of section 5440, Revised Statutes. Conspiracy to commit an offense against the United States in connection with purchase of package boxes.

Indictment No. 23907. Isaac S. McGiehan, George H. Huntington, and A. W. Machen, indicted September 8, 1903, for violation of section 5440, Revised Statutes. Conspiracy to defraud the United States in connection with purchase of package boxes.

Indictment No. 23908. Isaac S. McGiehan and George H. Huntington, indicted September 8, 1903, for violation of section 5451, Revised Statutes. Bribery of August W. Machen in connection with purchase of package boxes.

Indictment No. 23909. Eugene D. Scheble and August W. Machen, indicted September 8, 1903, for violation of section 5440, Revised Statutes. Conspiracy to defraud the United States in connection with purchase of street letter boxes.

Indictment No. 23910. Eugene D. Scheble and August W. Machen, indicted September 8, 1903, for violation of section 5440, Revised Statutes. Conspiracy to commit an offense against the United States in connection with purchase of street letter boxes.

Indictment No. 23911. August W. Machen, indicted September 8, 1903, for violation of section 5501, Revised Statutes. Accepting a bribe in connection with purchase of street letter boxes.

Indictment No. 23912. George W. Beavers, August W. Machen, and James W. Erwin, indicted September 8, 1903, for violation of section 5440, Revised Statutes.

Conspiracy to defraud the United States in connection with purchase of Montague device.

Indictment No. 23926. George W. Beavers, indicted September 17, 1903, for violation of section 5501, Revised Statutes. Accepting a bribe in connection with purchase of Bundy time recorders.

Indictment No. 23927. George E. Green, indicted September 17, 1903, for violation of section 5451, Revised Statutes. Bribery of George W. Beavers in connection with purchase of Bundy time recorders.

Indictment No. 23928. George W. Beavers and George E. Green, indicted September 17, 1903, for violation of section 5440, Revised Statutes. Conspiracy to commit an offense against the United States in connection with the purchase of Bundy time recorders.

Indictment No. 23940. George W. Beavers and George E. Green, indicted October 1, 1903, for violation of section 5440, Revised Statutes. Conspiracy to defraud the United States in connection with purchase of Bundy time recorders.

Indictment No. 23941. W. Scott Towers, indicted October 1, 1903, for violation of section 1781, Revised Statutes. Receiving money for promoting Elliott & Hatch typewriter contract while an officer of the Government.

Indictment No. 23942. W. Scott Towers, indicted October 1, 1903, for violation of section 1782, Revised Statutes. Receiving money for promoting Elliott & Hatch typewriter contract while an officer of the Government.

Indictment No. 23948. James N. Tyner and Harrison J. Barrett, indicted October 5, 1903, for violation of section 5440, Revised Statutes. Conspiracy to defraud the United States in connection with the Equitable Debenture Company and others.

Indictment No. 23949. James N. Tyner and Harrison J. Barrett, indicted October 5, 1903, for violation of section 5440, Revised Statutes. Conspiracy to commit an offense against the United States in connection with Southern Mutual Investment Company.

Indictment No. 23950. James N. Tyner and Harrison J. Barrett, indicted October 5, 1903, for violation of section 5440, Revised Statutes. Conspiracy to commit an offense against the United States in connection with the Continental Security Redemption Company.

Indictment No. 23951. James T. Metcalf, Harry C. Hallenbeck, and Norman R. Metcalf, indicted October 5, 1903, for violation of section 5440, Revised Statutes. Conspiracy to defraud the United States in connection with printing money-order forms.

Indictment No. 23952. Harrison J. Barrett, indicted October 5, 1903, for violation of section 1782, Revised Statutes. Receiving compensation for obtaining a letter from Assistant Attorney-General approving the business methods of the Continental Security Redemption Company, of Birmingham, Ala.

Indictment No. 23953. Harrison J. Barrett, indicted October 5, 1903, for violation of section 1782, Revised Statutes. Receiving compensation for obtaining a letter from Assistant Attorney-General approving the business methods of the Continental Security Redemption Company, of Birmingham, Ala.

Indictment No. 23954. George W. Beavers, indicted October 5, 1903, for violation of section 5501, Revised Statutes. Accepting a bribe in connection with purchase of the Elliott & Hatch typewriters.

Indictment No. 23955. W. Scott Towers, indicted October 5, 1903, for violation of section 5451, Revised Statutes. Bribery of George W. Beavers in connection with purchase of Elliott & Hatch typewriters.

Indictment No. 23956. Harry C. Hallenbeck, indicted October 5, 1903, for violation of section 5438, Revised Statutes. Presenting false claims in connection with contract for printing money-order forms.

Indictment No. 23957. August W. Machen, indicted October 5, 1903, for violation of section 5501, Revised Statutes. Accepting a bribe in connection with purchase of badges for rural free delivery carriers.

Indictment No. 23959. George W. Beavers, indicted October 5, 1903, for violation of section 5501, Revised Statutes. Accepting a bribe in connection with purchase of Elliott & Hatch typewriters.

Indictment No. 23960. George E. Green and Willard D. Doremus, indicted October 5, 1903, for violation of section 5451, Revised Statutes. Bribery of George W. Beavers in connection with purchase of Doremus canceling machines.

Indictment No. 23961. George W. Beavers, George E. Green, and Willard D. Doremus, indicted October 5, 1903, for violation of section 5440, Revised Statutes. Conspiracy to defraud the United States in connection with purchase of Doremus canceling machines.

*At Brooklyn, N. Y.*

Edmund H. Driggs, indicted June 24, 1903, for violation of sections 1781 and 1782, Revised Statutes. Accepting compensation while a member of Congress for promoting contract of Brandt automatic cashiers.

George F. Miller, indicted June 25, 1903, for violation of section 1781, Revised Statutes. Paying Congressman Driggs for promoting contract of Brandt automatic cashiers.

George W. Beavers, indicted July 16, 1903, for violation of section 1781, Revised Statutes. Participating in money received by Congressman Driggs for promoting contract of Brandt automatic cashiers.

*At Baltimore, Md.*

Thomas W. McGregor and C. Ellsworth Upton, indicted June 25, 1903, for violation of section 5440, Revised Statutes. Conspiracy to defraud the United States in connection with purchase of carriers' pouches.

*At Cincinnati, Ohio.*

Daniel V. Miller and Joseph M. Johns, indicted October, 1903, for violation of section 5440, Revised Statutes. Conspiracy to commit an offense against the United States in connection with John J. Ryan & Co.

The exhibits are withheld from publication pending the trial of criminal cases against a number of the offenders.

*Copy of letter of Postmaster-General Payne to Fourth Assistant Postmaster-General Bristow, dated November 3, 1903.*

NOVEMBER 3, 1903.

MY DEAR GENERAL BRISTOW: Now that your report is finished and the first stage of the work in connection with the investigation into the affairs of the Post-Office Department has passed, I can not refrain from testifying to the able, intelligent, vigorous work done by you in connection therewith.

For eight months you have labored to discover the real conditions existing in the Department, devoting your best efforts night and day to that end, and as Postmaster-General I desire to extend to you the thanks of the Department.

I ask you to convey to Chief Inspector Cochran and to the inspectors who have been detailed to the work of the investigation my thanks for their intelligent, unceasing, and successful efforts to bring about the exposure of the wrongdoing in the Department and the punishment of the guilty ones.

I am aware that the task is not yet completed. While the immediate responsibility for the conviction of those indicted is transferred to another department of the Government, yet you and the inspectors will be relied upon to furnish the evidence in the cases, and much depends upon the intelligence and zeal in which that service is performed. Knowing the method and manner of the work so far done, I look forward with the utmost confidence to what will be accomplished in the future, as suggested above.

Very truly, yours,

H. C. PAYNE,  
*Postmaster-General.*

Hon. JOS. L. BRISTOW,  
*Fourth Assistant Postmaster-General.*

*Reply of Fourth Assistant Postmaster-General Bristow, dated November 4, 1903.*

OFFICE OF FOURTH ASSISTANT POSTMASTER-GENERAL,  
*Washington, D. C., November 4, 1903.*

MY DEAR GENERAL PAYNE: In response to your letter of November 3, commending the work of myself and the inspectors in connection with the recent investigation, I appreciate very much your kind expressions of approval.

I desire to thank you personally for the sincere and earnest support which I received from you during the entire progress of the investigation. Without such support from the head of the Department the investigation could not have succeeded as it did.

Very truly, yours,

J. L. BRISTOW,  
*Fourth Assistant Postmaster-General.*

The POSTMASTER-GENERAL.

*Communication from Hon. E. F. Loud to editor of Washington Post.*

WASHINGTON, D. C., May 5, 1903.

TO THE EDITOR OF THE WASHINGTON POST:

On yesterday I was interviewed by the representatives of several of the newspapers of the country, in which interview I took occasion to make a statement regarding the investigation now going on in the Post-Office Department, which I thought was but an act of justice to the Department. The statement was considered particularly important by me by reason of the fact that there were but two men, besides myself, in the country who could have known the absolute facts regarding the situation. The statements made by me are in substance as follows:

Many newspapers have repeatedly stated that the present investigation was not instituted until after certain pressure had been brought to bear upon the Department. Early in the winter—it must have been in December—the present Postmaster-General (Mr. Payne) and myself had many consultations regarding the postal service, and as a result of these interviews it was determined, as soon as possible after the adjournment of Congress, that an investigation should be made of the service. Mr. Payne was in thorough accord with me regarding the advisability of this investigation. I recommended that such investigation should not commence until after Congress adjourned. There are many reasons, which it is unnecessary here to enumerate, why such a time should have been selected. The proof that this investigation was determined upon by the Department is to be found in the miscellaneous items reported in the Post-Office appropriation bill reported in January. It heretofore had been \$1,000. That item was increased to \$6,000 for the express purpose of using, if necessary, means outside of the Post-Office Department itself in carrying on the investigation. The reasons for the increase in this appropriation were known only to the Postmaster-General, Mr. Bromwell, of Ohio, and myself.

In a published interview I am reported to have said that Postmaster-General Smith had consulted directly with the general superintendents of the salary and allowance and the free-delivery divisions, ignoring the First Assistant Postmaster-General altogether. This statement, while true, should have contained some further explanation, which probably at the time of my interview I regarded as unnecessary, but upon reading the same find that a construction may be put upon the same that might reflect upon the present Postmaster-General, and I desire to add that, of my own knowledge, immediately after Mr. Payne became Postmaster-General this system was entirely changed, and subordinates in the First Assistant's department were compelled to deal directly with the First Assistant Postmaster-General.

It affords me great pleasure to make the above statement, particularly in view of the fact that some things said by me have not appeared, and possibly some things that I did say, not being sufficiently full, may have been misinterpreted by the public.

E. F. LOUD.

*Letter of Postmaster-General Payne to Hon. J. H. Bromwell.*

AUGUST 21, 1903.

MY DEAR SIR: On May 5, 1903, Hon. E. F. Loud, chairman of the Committee on Post-Office and Post-Roads in the last Congress, wrote a letter to the editor of the Washington Post, a copy of which I inclose herewith.

In this letter Mr. Loud makes reference to yourself as knowing the reasons why the item for "miscellaneous items" in the Post-Office appropriation bill was increased from \$1,000 to \$6,000, as it passed in the appropriation bill.

Mr. Loud, as you will see, states that this increase was asked for because the Postmaster-General had come to an understanding with him that it should be used for the purpose of investigating the affairs of the Department immediately after the adjournment of Congress.

I would be pleased if you would advise me what the facts are in regard to the matter.

Very truly, yours,

H. C. PAYNE,  
*Postmaster-General.*

Hon. J. H. BROMWELL,  
*Cincinnati, Ohio.*



*Letter of Hon. J. H. Bromwell to Postmaster-General Payne.*

WASHINGTON, D. C., August 21, 1903.

MY DEAR GENERAL: I recall very distinctly that in the preparation of the last appropriation bill, and before the subcommittee (of which I was a member) had commenced work upon it, that in a private conversation with Mr. Loud he informed me that he had discussed with the Postmaster-General the advisability of a more thorough investigation of the Post-Office Department than had been possible in the usual course before, and that the Postmaster-General was very earnest in his desire that the item for special inspection, included in the "miscellaneous items" of the appropriation bill, should be increased to such an amount as would give him ample means for this purpose, and suggested that the item be increased from \$1,000 to \$6,000.

Mr. Loud stated that it was thought advisable that no public attention should be drawn to this proposed increase in the item, for the reason that it might serve as a warning and put upon their guard any employees or attachés of the Department or others who might have been guilty of irregularities, and that it was to the public interest that the increase should be put in the bill as quietly as possible, so as to attract little or no attention or comment.

It was understood that this investigation was to be very thorough and might be quite prolonged, reaching over a number of months, and that, while the appropriation would not itself become available until after July 1, 1903, yet it would be necessary to have this increase in order to continue whatever work might be started in this line before that date.

In accordance with this suggestion of Mr. Loud, he and I put the item in the appropriation bill as prepared by the subcommittee, with a mere statement that it was desired by the Department, but giving no explanation. The subcommittee had such confidence in Mr. Loud that without inquiry they indorsed this increase; it went into the bill, was reported to the committee, there passed without any comment, and was enacted into law.

I know positively that this request and the proposed investigation had been determined upon by the Postmaster-General long before there had been any newspaper or other comment upon possible irregularities in the Department.

Very respectfully, yours,

J. H. BROMWELL,

*Late Member of Congress from Ohio.*

Hon. HENRY C. PAYNE,

*Postmaster-General.*

*Letter from the President to the Attorney-General suggesting appointment of special assistants in Post-Office cases.*

WHITE HOUSE,  
Washington, June 22, 1903.

SIR: As you know, the charges in connection with the Post-Office Department are now being investigated by Fourth Assistant Postmaster-General Bristow, who has had placed at his disposal by the Postmaster-General every resource of the Department, including the services of Mr. Robb, whom you detailed from the Department of Justice to the Post-Office Department immediately after the removal of Mr. Tyner. As a result of this investigation a number of indictments have already been had and it is probable that other indictments will hereafter be asked for. There can be no greater offense against the Government than a breach of trust on the part of a public official or the dishonest management of his office, and, of course, every effort must be exerted to bring such offenders to punishment by the utmost rigor of the law.

The district attorney's office, of the District of Columbia, has faithfully and zealously seconded the efforts of the Post-Office Department in this matter, but the amount of work in the office is such as to make it difficult, without neglecting other important public duties, to devote all the time necessary to the prosecution of these cases. I suggest, therefore, that if you can not detail some of your present staff you appoint special assistants in these post-office cases, not only to take up the cases in which indictments have been found or hereafter may be found, but to examine into all charges that have been made against officials in the postal service, with a view to the removal and prosecution of all guilty men in the service and the prosecution of guilty men whether in the service or not where the cases are not barred by the statute of limitations.

Sincerely yours,

THEODORE ROOSEVELT.

Hon. P. C. KNOX, *Attorney-General.*

*Letter of President directing submission of report of Fourth Assistant Postmaster-General to Messrs. Bonaparte and Conrad.*

OYSTER BAY, N. Y., August 6, 1903.

MY DEAR MR. PAYNE: While for departmental reasons it is obviously advisable that the investigations now going on by Mr. Bristow be brought to a conclusion as quickly as is compatible with thoroughness, yet it is still more necessary that they be thorough and complete. I desire the report of Mr. Bristow and any other reports which may be necessary to a complete presentation of the results of the investigation submitted to Messrs. Bonaparte and Conrad and their opinions taken as to whether any further avenues of investigation should be followed, or any further facts supplied, in order to secure a complete exhibition and redress of any and all wrongs that have been committed in the Department. Please submit a copy of this letter at once to Mr. Bristow, and also to Messrs. Bonaparte and Conrad, for their information.

I need hardly say how much gratified I am by the evident thoroughness of the investigation thus far and the clearly expressed and acted-on purpose of the Department to get all the facts and to punish any wrongdoer who can be reached, whether within or without the service.

My desire that the advice of Messrs. Bonaparte and Conrad should be taken as to further investigations is not because I question for a moment the single-minded purpose of the Department, but because, from their different points of view, ideas may occur to them which may not to you or to me.

Faithfully, yours,

THEODORE ROOSEVELT.

Hon. H. C. PAYNE,

*Postmaster-General, Washington, D. C.*

*Report of Messrs. Bonaparte and Conrad relative to report of Fourth Assistant Postmaster-General.*

TO THE ATTORNEY-GENERAL.

SIR: We have the honor to herewith return the report of Hon. Joseph L. Bristow, Fourth Assistant Postmaster-General, showing the results of an investigation conducted by him into the operations of certain divisions of the Post-Office Department. We return likewise an abstract or brief of the same report, also prepared by Fourth Assistant Postmaster-General Bristow and placed in our hands together with the report itself. We have examined both the report and the abstract with care, and respectfully submit the following report concerning them:

We consider the report an exceptionally able, candid, and impartial review of its subject-matter, and that it shows clearly reprehensible misconduct, amounting in many cases to crime, on the part of a number of public officials. It is a voluminous document; but this arises not from prolixity, but from the nature of the matters discussed. The abstract is probably as fair and comprehensive a summary of the report as could be made within its limits of space. The condensation, however, of matter contained in 373 typewritten pages into 51 is unavoidably attended by some danger of mistake and injustice to individuals.

In accordance with our instructions, we have carefully considered whether the immediate publication of this report might affect injuriously any pending prosecution, and are of the opinion that it will give no information to the defendants therein which it is not reasonably certain that they already possess. We are informed of no reason why the report should not be published in full and forthwith, and, in so far as the question may have been referred to us, we respectfully recommend its prompt publication.

In so doing, however, we think it proper to note a few passages which need, in our judgment, some qualification, or at least comment. On page 53 of the report it is said:

The administrative methods of Tyner, Barrett, and *Christiancy* can be more clearly illustrated by referring to a number of cases that were passed upon by them.

Precisely the same language is used on page 5 of the abstract. We have placed the words "and *Christiancy*" in italics in this quotation because we think it is hardly just to Mr. G. A. C. Christiancy. The latter is entitled to the benefit of an exoneration from all suspicions of *willful* official misconduct, inasmuch as Assistant Attorney-General Robb, after a full inquiry into Christiancy's conduct, recommended that his resignation be accepted. We do not criticise what is said of him on pages 116 and 117 of the report; but it seems to us that the above-quoted passage does him some measure of injustice by intimating that his "methods" were the same as those of Tyner and Barrett.

It is stated in the report that the facts therein set forth regarding the connection of George W. Beavers and Otto Weis with an alleged "promotion syndicate" were laid before the district attorney for the District of Columbia early in May last, and that this officer did not deem them sufficient to justify a prosecution. It is further stated that the last supposed offense of either party of this character as to which evidence could be obtained occurred on May 31, 1900, so that a prosecution was barred by limitations on the same day of the present year. This all took place before our own employment, and we are not called upon to express any opinion as to the decision of the district attorney thus reported; presumably it was justified by his view of the evidence. We think, however, that in this connection it should be noted how gravely the statute of limitations has interfered with the punishment of notorious offenders exposed in this report. We think the period should be lengthened to at least five years, so that offenses committed during one Administration may be exposed to a serious risk of detection and punishment during the next.

On page 261 of the report the conduct of Postmaster Warfield, of Baltimore, is criticised in connection with the appointment of one John W. Pettit. This constitutes the subject-matter of a special report made by us, and our views concerning it are therein set forth at length.

On page 267 of the report there is a quotation from a report of one of the inspectors, as follows:

The foundation for a respectable post-office in this instance is lacking, and as a business proposition from the standpoint of the Department the situation is far from being satisfactory to me. The question of the legality of a contract with a Senator-elect is a matter that should receive consideration in connection with this case.

We have not attempted to identify the "Senator-elect," but undoubtedly this could be readily done, as the location of the office and approximate date are stated. In our opinion it would have been better to give his name and to set forth the material facts of the transaction.

On page 277 of the report it is said that—

Beavers has made contracts with members of Congress for the rental of premises either in their own name, the name of their agents, or some member of their families. A careful investigation, however, does not show that the Government has been defrauded by the payment of excessive rentals to members of Congress either directly or indirectly.

Such contracts of rental were plainly unlawful, and their illegality and consequent impropriety were in no wise removed by the fact that the Government might, with entire propriety, have rented the same premises upon the same terms from another owner. The number of members of Congress implicated in them is presumably very small. Therefore it seems to us hardly just to Congressmen generally that their identity should remain uncertain.

On page 280 of the report, in referring to a case where, at the instance of a Congressman, George W. Beavers had caused the rental reserved under a ten years' lease for certain premises for a post-office to be increased after the first year with absolutely no consideration moving to the Government for the additional burden thus assumed, the Fourth Assistant Postmaster-General says:

I do not offer any criticism against the Congressman; he did what members of Congress usually do in representing the interests of their constituents before the Department, and had a right to expect that the executive officer would do his duty in accordance with the interests of the public service.

We are unable to concur in this view. Undoubtedly the legislative officer in this instance was less directly responsible for neglect of the public interest than the executive, but we can not say that he had *no* responsibility in the premises. He stood in a fiduciary relation to the Government, and, so far from being justified in taking advantage of any breach of trust on the part of the official with whom he dealt, was bound, in our opinion, to expose this breach of trust, both to the latter's superiors and, if need be, to the House of Representatives.

On page 296 the report refers to the suspected complicity of an officer of this Department in fraudulent sales to the Government of the so-called "Brandt-Dent cashiers," and also to discourtesy and otherwise unbecoming behavior on his part in dealing with some post-office inspectors. We are not informed what defense, if any, this officer may have made to these charges. We are not, therefore, in a position to either approve or disapprove of what is here said of his conduct.

On the page following it is stated that the father of this official, at present consul at Nuremberg, "probably knows as much about this fraud as any other party." We think that his connection with the transaction in question certainly needs a full explanation, but as it would seem that he has never as yet had an opportunity to make this explanation, and is a man of good reputation, according to our information, we further think that until the opportunity is offered him he is fairly entitled to a suspension of judgment.

All of these matters are of very subordinate importance and have been mentioned out of abundant caution only. As a whole, we heartily commend the report and deem its conclusions fully justified by the facts it sets forth, and, while regretting, in common with all patriotic citizens, that the grave abuses of long standing which it reveals should have grown up in the Post-Office Department, we consider the exposure of these abuses and the attempts made to punish those responsible for them a work of the highest public utility, thoroughly and ably performed.

All whereof is very respectfully submitted.

HOLMES CONRAD,  
CHARLES J. BONAPARTE,  
*Special Assistants to Attorney-General.*

## SCHEDULE B.

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*Letter of the Postmaster-General, May 1, 1903, to J. L. Bristow, Fourth Assistant Postmaster-General, and Mr. Bristow's reply, May 4, 1903.*

MAY 1, 1903.

Hon. J. L. BRISTOW,  
*Fourth Assistant Postmaster-General.*

DEAR SIR: I desire to call your attention to an article in the Washington Post of this morning (May 1, 1903), in which appears an interview with Mr. S. W. Tulloch, formerly cashier of the Washington City post-office, in which interview Mr. Tulloch prefers many charges of irregularities and impropriety (if nothing worse) against my predecessor in office, whom he names, and several other Department officials, as well as the Comptroller of the Treasury.

Among other things he states that an investigation of the affairs of the Washington City post-office was undertaken some four or five years ago, but that it was called off by personal and political pressure and makes use of the following language:

The post-office inspectors, who were fully aware of the existing conditions, were informed that if they presumed too much they too would also be removed. I am creditably informed, however, that Postmaster-General Bristow stood steadfastly by his man, and demanded a thorough investigation of the office of the First Assistant Postmaster-General. This was refused by Postmaster-General Smith.

I would be pleased to have you advise me as to what truth, if any, there is in the statements made by the person in question in the interview referred to, and particularly upon the part of it which speaks of your connection, and that of the post-office inspectors, with the matter.

Very truly, yours,

H. C. PAYNE,  
*Postmaster-General.*

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OFFICE OF FOURTH ASSISTANT POSTMASTER-GENERAL,  
*Washington, May 4, 1903.*

SIR: In response to your inquiry of May 1, 1903, as to the truth or falsity of the assertions of Mr. S. W. Tulloch that appeared in an interview by him in the Washington Post of that date, I beg to hand you herewith an abstract of three reports made by the inspectors on the condition of the Washington post-office. The first, marked "Exhibit A," refers to the transfer of the post-office to Hon. John A.

Merritt, incoming postmaster, by Mr. James P. Willett, retiring postmaster, which occurred June 30, 1899. At the time this inspection was in progress, as nearly as I can remember, Chief Inspector Cochran and Inspector in Charge Smith called upon me and advised me that the inspectors in the investigation of the post-office had discovered many irregularities of a serious nature which seemed to be authorized by the Department.

After discussing the matter at some length with them, I directed that a report relating in general to the transfer be submitted in the regular way and copies of the same referred to the various divisions or bureaus of the Department as followed in other similar cases, and that a special report affecting the irregularities that seemed to be authorized by the Department be submitted.

During the progress of the inspection I was advised by the chief inspector that Mr. George W. Beavers, chief of the salary and allowance division, had suggested to one of the inspectors that when he came to certain appointments in some of the stations that appeared irregular he had better make no reference to them as they had been ordered personally by the Postmaster-General. I told the chief inspector to instruct the inspectors to report the facts as they would in any other inspection; that I did not believe the Postmaster-General had knowingly authorized any irregularities.

Capt. W. B. Smith, inspector in charge, submitted a special report on July 6, as directed, an abstract of which is herewith submitted, marked "Exhibit B." This report disclosed what seemed to me glaring irregularities, and I submitted it personally to the Postmaster-General, suggesting to him at the time that it contained matters to which I thought he would want to give his personal attention.

Referring to the statement that I had demanded a thorough investigation of the office of the First Assistant Postmaster-General, I beg to state that Inspector in Charge Smith, in his special report, heretofore mentioned as "Exhibit B," stated that he had discovered a condition of affairs which, in his judgment, required an immediate, thorough, and exhaustive investigation. I submitted this report to the Postmaster-General with my approval, but I did not consider such approval as a demand on my part that the office of the First Assistant Postmaster-General be investigated.

The third report, dated July 31, 1900, an abstract of which is herewith submitted, marked "Exhibit C," sets forth a number of irregularities that prevailed at that time in the Washington post-office. This inspection was begun when I was absent from the Department. When I returned I was informed by the chief inspector that complaint was made to the Postmaster-General that Inspector Little, who was engaged on the work, was asking unnecessary questions and seeking information which was not called for in an inspection. I advised him to instruct Inspector Little to make the same kind of an investigation of the Washington post-office that he would make of any other office under similar circumstances, and to submit in a special report anything which he thought should be called to the personal attention of the Postmaster-General.

This he did, and I submitted the special report to the Postmaster-General, stating to him that I understood from the chief inspector that complaint had been made that Inspector Little was asking unnecessary questions with the possible view of embarrassing the Department with regard to certain conditions in the Washington



post-office, but that after inquiry I was clearly convinced that the questions asked were not unnecessary or improper, and that I believed he would hold the same view after he had read his report.

Very respectfully,

J. L. BRISTOW,  
Fourth Assistant Postmaster-General.

The POSTMASTER-GENERAL.

#### EXHIBIT A.

*Report of an inspection of the post-office at Washington, D. C., and stations, concluded June 30, 1899, on which date the office was transferred to John A. Merritt, postmaster, by Inspectors Little, Hooton, Bulla, Owings, and Maxwell.*

Attention is called to the fact that credit has been given in the postal account for advances and expenditures for the military stations in Porto Rico as follows:

Value of stamped paper advanced .....	\$12,769.24
Military postal service, miscellaneous .....	15,063.37
Military service pay roll .....	30,259.56

And it is suggested that this account be promptly adjusted, more especially the item of postage stamps and stamped paper advanced to the following persons assigned to duty in connection with postal service in Porto Rico, viz:

McKenna .....	\$2,100.00
Whitney .....	3,010.00
Van Alstyne .....	2,100.00
Graff .....	559.24
Bristow .....	5,000.00
Total .....	12,769.24

Attention is called to the item of \$50.30, classed as "Miscellaneous account, Post-Office Department," which was found to cover the expenses of George W. Beavers, chief of salary and allowance division, on a trip to Philadelphia, Pa., and Hartford, Conn., and of G. D. Fisher, clerk in that division, to Philadelphia, Scranton, and Wilkesbarre, Pa., on official business, and was paid by authority of the First Assistant Postmaster-General. This item evidently should have been paid through the regular disbursing officer of the Post-Office Department, as it forms no part of the legitimate expenses of the Washington office.

Another item is \$4,359.20 on account of rent paid for the second quarter of 1899. It appearing that the annual rental of all the stations connected with the office was \$7,800, or \$1,950 quarterly, inquiry as to this balance developed that the salaries of clerks in charge of substations had, since July 1, 1897, been carried into the postmaster's return under the head of rent, an irregularity liable to create confusion in adjusting the accounts.

Items also appear under the head of mail bag repair shop, \$313; mail bag repair shop pay roll, \$25,060.76; mail lock repair shop, \$137, and mail lock repair shop pay roll, \$8,064.35. The expenses of these shops form no part of the business of the Washington office, and should not be discharged by the disbursements which properly belong to the Department itself, and which are payable from the postal receipts. It would appear that some arrangement might be made to relieve the Washington office of these payments.

The roster of the office shows that on June 30, 1899, 22 employees were borne on the rolls and paid on what has been known as the "Military roll," while the "Military roll" shows 34 names as having been paid by the cashier of the Washington office.

There was also found a "special roll of employees, paid from miscellaneous

allowance, said appointments being under control of the Post-Office Department." This roll consists of nine "cleaners," with salaries from \$400 to \$600, and one "physician," at a salary of \$1,700. Some of these "cleaners" appear to have performed very little service and others none at all. The duties of the "physician" appeared to be to visit all employees reported sick and determine whether they were actually unable to perform their duties. We do not understand that he renders other service.

Robert V. Willett, a son of the postmaster, was employed at Station A (Georgetown), but the superintendent of the station could give no information as to his salary. Inquiry at the main office disclosed that he was appointed as a laborer at the city post-office June 21, 1898, at \$600, and on July 1, 1898, as a mechanic at \$2 per day for each working day on what appears to have been a special roll of the free-delivery service. This last appointment was canceled December 10, 1898. Thus he drew two salaries from July 1 to December 10, 1898. On March 1, 1899, he was assigned to the miscellaneous roll at a salary of \$1,200, and appears to have been performing service at Station A.

The case of N. H. Baker is of a similar nature, he having been designated as a laborer on the post-office roll April 29, 1899, at \$700 per annum and on the same date as mechanic on free-delivery roll at \$2 for each working day.

### EXHIBIT B.

*Confidential report of Inspector in Charge Smith in connection with the inspection of the post-office at Washington, D. C., concluded June 30, 1899, setting forth certain irregularities discovered by him, which, in his judgment, indicate a condition of affairs demanding an immediate, thorough, and exhaustive investigation.*

Edward S. Allen, appointed March 16, 1899, \$1,400, as expert mechanic, military roll. It appears he is engaged in traveling and testing canceling machines in the United States.

H. A. Cummings, appointed August 22, 1898; transferred to military roll at \$900 and detailed to Department salary and allowance division January 17, 1899; promoted to \$1,000, to date from January 1, 1899.

B. M. Monroe, appointed April 1, 1899; placed on military roll by First Assistant Postmaster-General and reported to him for assignment; not known where he is performing service, but supposed to be at Department.

Frank E. Murray, appointed September 21, 1898, at \$1,000, military roll, performing service at Department.

None of the above named appear to have performed any service in connection with military postal matters, and no good reason appears either for their original appointment or continuance on the rolls.

January 3 and 10, 1899, First Assistant Postmaster-General, by letter, transferred 20 clerks from clerks' roll to military roll, and inspector understands most of these are performing duty in the Washington post-office. Inspector cites letter of Acting First Assistant Postmaster-General, dated January 3, 1899 (G. W. B.), to the effect that "from January 1, 1899, the last 20 clerks appointed in your office will be paid from the military appropriation" and requesting a report showing the names of these clerks in order that they might be temporarily dropped from the regular clerk-hire roll.

The details of the payment to W. S. Larnar, a military postal clerk, under protest by the cashier, of \$118.93, subsequently disallowed by the Auditor of the Treasury on January 4, 1899, are set forth in a letter from the cashier to the postmaster, dated February 8, 1899, to the effect that on November 1, 1898, by direction of the First Assistant Postmaster-General, salary and allowance division, October 31, 1898, he paid W. S. Larnar, late military postal clerk, traveling expenses to Porto Rico and return, as follows:

Account, quarter ended September 30, 1898 .....	\$53.76
Account, quarter ended December 31, 1898 .....	57.01

110.77

That the voucher for the quarter ended September 30, 1898, was forwarded to the Auditor with the postal account for that quarter; that on November 29, 1898, an unsigned letter, bearing the initials "G. W. B.," was forwarded from the First Assistant Postmaster-General, salary and allowance division, directing the payment of Larner's salary up to and including November 15, 1898; that the attention of the salary and allowance division was called to the omission of the signature and the Washington office was advised, "Do not pay Larner after October 31 until otherwise advised." That on November 30, 1898, the First Assistant Postmaster-General, salary and allowance division, wrote, referring to communication of November 29, directing payment of salary due W. S. Larner up to and including November 13; that the Washington office was authorized to pay Larner to October 31, 1898, "from which date his services terminate."

That on December 8, 1898, the First Assistant Postmaster-General, salary and allowance division, wrote, referring to his letter of the 7th instant, authorizing payment of salary of W. S. Larner, clerk in the military postal service in Porto Rico, up to and including October 31, 1898, authorizing the Washington office to pay Larner's salary to November 15, at the rate of \$1,200 per annum, stating that this would entitle him to \$48.91 for fifteen days, and that from this amount \$14 should be deducted, as follows:

For meals on steamer <i>Seneca</i> , August 31, 1898, to September 7, 1898 .....	\$12.00
One bath tub for use of postal committee .....	2.00

these items having been disallowed in his account which was authorized to be paid under date of October 31, leaving a balance due of \$34.91, and that Larner's services terminate November 15, 1898.

That upon receipt of this letter vouchers of Larner on account of quarter ended December 31, 1898, were forwarded to Auditor with his request for an examination, in order that final payment might be made Larner on his salary account; that before this request reached the Auditor the Washington office received from the Auditor communication dated December 10, calling attention to voucher No. 46, W. S. Larner, \$53.76, and items for express charges, \$2.50; cab hire, September 7 to 30, \$7.50, and incidental expenses, August 30 to September 30, \$10, and stating that Larner should be required to submit a detailed statement of expenditure amounting to \$10, for which he does not furnish vouchers.

That some hours after the receipt of this communication the cashier was obliged to leave his office and left instructions that if Mr. Larner called he was to be informed no final payment would be made him until his expense account was adjusted by the Auditor, as he would be required to furnish the information called for by the Auditor and additional information as might be required in similar items in his account of December 31, 1898; that during the cashier's absence Larner called, refused to wait for reply from the Auditor, demanded an immediate settlement, which was refused, and proceeded to the Department with reference to the matter; that the postmaster being confined at the time by sickness, the assistant postmaster received a telephone message from the Department asking why Larner could not receive the salary authorized to be paid him; that response being made that the cashier did not care to make final settlement until he had ascertained the items in the account disallowed by the Auditor or what corrections might be necessary, the assistant postmaster was informed that the Washington office "held a letter from the First Assistant Postmaster-General directing payment to be made Mr. Larner, and if that was not good enough perhaps it would obey one signed by the Postmaster-General;" that the assistant postmaster, having called the matter to the attention of the cashier, was informed that if payment was desired under the circumstances it would be made under protest, and only under written instructions; that Larner again demanded the amount claimed to be due him and refused to receipt for same at \$1,200 per annum, claiming he was to be paid at \$1,400 per annum and had so arranged with the Department; that satisfactory instructions in writing having been received from the assistant postmaster, Larner was paid at the rate of \$1,400 per annum for the period November 1 to 15, less \$14 disallowed.

That on December 13, 1898, the Auditor, replying to the request for examination of Larner's vouchers, reported that the claims for subsistence, \$10.50, October 4 to 11, should specify places where such sum was expended; an item of \$10 for expenses from October 1 to 24, for which no vouchers were obtainable, should be accompanied by detailed statement; that on December 12 and 14, 1898, Larner was requested to call at the Washington office and furnish information required by the Auditor and return \$8.16 overpayment of salary obtained by misrepresentation; that on December 16 Mrs. Larner stated that Mr. Larner was out of town; that she was requested to forward the correspondence to Mr. Larner, but that no

answer was received to such request; that on January 4, 1899, the Auditor disallowed the account of Larner for the quarter ended September 30, 1898, pending compliance with his demand, that he would also do this with reference to the voucher account of quarter ended December 31, 1898, and that the cashier, having paid the amounts in question under protest, in pursuance of written instructions, \$118.93 might be suspended against the postmaster and his bond, subject to such credit as might ultimately be obtained from the Auditor on account of vouchers submitted by Larner.

Attention is called to the payment of premium on the bond of military postal clerks by the Washington office on authority of the First Assistant Postmaster-General, which appears to have been made without authority of law, as expenses of official bonds are not chargeable to the United States. Items are given showing for whom paid and amounts aggregating \$393.15.

Attention is called to certain items of expenditure authorized for the military postal service of supplies, furniture, traveling expenses, aggregating \$8,750.70, with the statement that whether or not the foregoing items were purchased in the open market or as the result of competitive bids the inspector is unable to say, but that the prices paid for some of the articles enumerated, such as washstands at \$40 each, appear to have been highly excessive, and lead to the belief that the feature of competition did not enter into the transaction.

Attention is called to additional irregularities in connection with pay rolls of clerks and laborers, to wit:

N. H. Baker, appointed April 29, 1899, as a laborer at \$700 per annum, and also paid as a mechanic at \$2 per day, except Sunday.

Margaret S. Burke, appointed December 1, 1898, at \$600; dropped April 8, 1899; performed no service.

Gilmore Colson, appointed December 6, 1898, laborer, by First Assistant Postmaster-General; supposed to be employed in the Department; performed no duty in the Washington office.

R. W. B. Dorsey, appointed October 22, 1898, \$600, by First Assistant Postmaster-General; promoted October 26, 1898, to \$700 from date of appointment November 11, 1898, by First Assistant Postmaster-General.

Oscar Durant, appointed September 8, 1898, military postal service, \$1,400 per annum and expenses; services ceased April 30, 1899; paid salary, \$902.38, expenses \$187.25. No services performed from January 1 to April 30, 1899.

Dr. J. E. Jones, appointed September 3, 1898, physician, at \$1,700 per annum for ninety days from September 6, 1898; December 31, 1898, his services were directed to be continued until further orders, since which time he has been continually employed as "physician to the Washington, D. C., post-office." This appointment appears to be entirely unwarranted, as no provision of law can be found authorizing it.

R. V. Willett, son of late postmaster, appointed laborer June 21, 1898, \$600 per annum, by order of First Assistant Postmaster-General; also appointed a mechanic at \$2 per day on July 1, 1898. Was allowed three items aggregating \$46.15 for expenses incurred at Camp Alger before his appointment as military postal clerk at \$1,200, which occurred March 1, 1899, at which time he was assigned to duty at the Georgetown station and carried on the rolls until June 30, 1899.

R. V. Willett, son of late postmaster, appointed military postal clerk September 9, 1898, at \$1,200; assigned to duty in the cashier's room of the Washington office and carried on the roll until June 30, 1899.

Attention is called to irregularities in the appointment, compensation, and promotion of Oliver H. Smith. It appears that on November 20, 1897, the First Assistant Postmaster-General authorized an allowance of \$600 per annum for appointment of O. H. Smith as laborer, stating that free-delivery division would also make an allowance of \$2 per day to cover car fare and incidental expenses. He reported for duty November 23. December 15, 1897, First Assistant Postmaster-General stated that Smith had been detailed to assist in repairing, painting, and erecting street letter boxes and would be paid through the Washington office at the rate of \$2 per day for every working day, commencing November 23. March 11, 1898, the First Assistant's office authorized the payment to Smith of \$30 for car fare in connection with the inspection of various stations and substations from March 1 to June 30, 1898. August 3, 1898, First Assistant's office authorized payment of necessary expenses of Smith incurred in July, 1898, for car fare, wagon hire, and meals in connection with handling military mail at Falls Church, Va., \$15.60. September 30, 1898, First Assistant's office authorized payment of \$12, account transportation, handling mails, meals, etc., during August, 1898.

It appears from the records, acting upon these authorizations, Smith drew pay from November 23, 1897, to November 30, 1898, making his compensation for one year approximately \$1,348.60. No one has certified to the actual time Smith was employed, nor has any statement been attached to his pay vouchers showing what particular services he rendered in return for his compensation. He was continued in the dual capacity of clerk and mechanic until April 1, 1899, when he was promoted to finance clerk at \$1,700 per annum. By what authority of law his original appointment or subsequent promotion was made the inspector does not know.

In this connection the inspector calls attention to a letter of the cashier of the Washington office, addressed to the postmaster, dated December 20, 1898, to the effect that on that day Smith and a Mr. Towers called; that Smith asked for his per diem as a mechanic and was informed by cashier he had no authority to pay him and that it would be necessary for him to obtain the usual letter from the Department; that Smith stated that General Heath said no authority other than that given was needed; that Towers remarked, "That is your answer, then. General Heath wants to know why you do not pay Mr. Smith." And cashier replied that he would furnish General Heath with a full statement of the case, but that such request should come through the postmaster; when Towers replied, "Shall I report to General Heath that you refuse to give him the information?" To which the cashier replied that he was under no obligations to take orders from Towers or communicate with the Department through him, but would write a statement and deliver it to the acting postmaster (the postmaster having left the building); that Towers then made an effort to telephone the First Assistant Postmaster-General without effect; that Towers then said that he was in General Heath's room at the Department when Smith called and said he could not get his money; that General Heath then called up the salaries and allowances division, and was informed that no further authority was needed, and told him (Towers) to go down with Smith and see why he could not get his pay.

That the cashier seeing that Towers was under the influence of liquor and disposed to be abusive and that it was possible for a misunderstanding, tried to close the matter up; showed Smith and Towers the papers in the case, informed them that Smith was paid from two or three different sources, that the salary and allowance division had nothing to do with the amount in question, payments from that source being duly authorized, and that the payment in question was a specific payment authorized from time to time by the free-delivery system, hence General Heath's misunderstanding and soon afterwards they departed.

That should the matter be brought to the postmaster's attention he, the cashier, makes the following report on Mr. Smith's case: That he was appointed by the First Assistant Postmaster-General, salary and allowance division, November 20, 1897, under a communication allowing \$600 per annum "to provide for the appointment of Oliver H. Smith as laborer at the several stations connected with your office. Mr. Smith will act in dual capacity, serving both clerks and carriers. The free-delivery division will also make an allowance of \$2 per day to cover car fare and incidental expenses for Mr. Smith. \* \* \* This is the gentleman whose appointment has frequently been recommended by you."

That under date of December 15, 1897, the First Assistant Postmaster-General, free-delivery system, wrote the Washington office that Oliver H. Smith had been detailed to assist in erecting, painting, and repairing street letter boxes, would be paid through that office at the rate of \$2 per day for every working day, and directing that at the end of each quarter that office notify the First Assistant's office of the amount paid Mr. Smith and the number of days employed, so that certificates might be sent the Auditor.

That the legality of this authorization is open to question, as in the first he is appointed a laborer and paid from an allowance for clerk hire, while in the second he is paid a per diem as a mechanic from the allowance for repairing letter boxes, and a person faithfully performing the duties of one would be unable to devote full time to the other, and that no one in the office seemed desirous of keeping Smith's time or reporting same to cashier.

That on March 11, 1898, the First Assistant Postmaster-General, salary and allowance division, authorized an increase in the lump sum allowance for miscellaneous purposes of \$30 to provide for the payment of car fare for Oliver H. Smith, in connection with the inspection of stations and substations, in accordance with the postmaster's request of March 10.

That up to November 30, 1898, Mr. Smith was paid in full on account of clerk hire, and up to date of this letter had been paid \$20 on account of December clerk hire; had been paid as a per diem mechanic to September 30, 1898; for car fare, \$50.50 to September 30, 1898, this allowance having been continued by First Assistant Postmaster-General, salary and allowance division, October 4, 1898.

That on October 29, 1898, the Acting First Assistant, free-delivery system, authorized the payment to mechanics at the Washington office for services performed in connection with painting, repairing, and erecting street letter boxes during October, as follows:

Oliver H. Smith..... \$52

(Here follow the names and amounts of the other 5 mechanics.)

That on November 16, 1898, acting first assistant, free-delivery system, authorized payment to Oliver H. Smith and Robert V. Willett, letter-box painters, at the rate of \$2 per day for services performed during the first half of November, and stated that on the 30th instant certificate for the entire month would be sent to the Auditor.

That from these letters it will be seen that since October 21 specific instructions have been forwarded in each instance for payment to Mr. Smith.

The cashier states that during the summer Smith was in service at Camp Alger, Va., military postal service, and on August 10, 1898, he rendered under oath the following statement of account:

Necessary expenses incurred in July, 1898, for car fare, wagon hire, and meals in connection with handling military mail at Falls Church..... \$15.60

which was paid by order of the First Assistant Postmaster-General, salaries and allowances division, August 8, 1898, from appropriation for military postal service. That on September 8, 1898, he was paid on account rendered under oath for transportation, meals, and handling military mail at Camp Alger postal station for the month of August, 1898, \$1,200, authorized by the salaries and allowances division September 3, 1898.

Cashier states that while so engaged it is difficult to see how Smith's per diem expenses as a mechanic repairing street letter boxes was earned, yet payment was directed by the first assistant, free-delivery system, October 8, 1898.

Under authority from salaries and allowances division, October 4, 1898, Smith paid \$22.50 for street-car fares, quarter ending September 30, 1898. Most of this time was spent at Camp Alger.

That Smith was absent in Indiana for about two or three weeks at election time, but drew his full per diem as a mechanic repairing street letter boxes, though per diem employees are not usually entitled to leave of absence with pay. He was paid by order of the first assistant, free-delivery system, November 29, 1898, for the payments of mechanics employed in the Washington office for services during the month of November.

The inspector calls attention to a letter from the first assistant, free-delivery system, dated December 5, 1898, and filed in his office, in which it is stated that owing to the exhaustion of the amount of money set aside for painting and repairing letter boxes for the current year he is compelled to discontinue the services of the letter-box painters at the close of business December 10, and states that each payment to Smith since October 1 has been specifically authorized, and as the services of letter-box painters were discontinued December 10 he did not deem it advisable to make any payment to Smith until further advised.

Referring to the peculiar dual position and payments of Smith, and the possibility of a disallowance of some of the payments by the auditor, he says he has taken all precaution possible to keep the records of his office complete and to make no payment except upon authority of superior officers.

Attention is called to certain vouchers, which are described, which were authorized to be paid by the First Assistant Postmaster-General, such as July 22, 1898, expenses of Perry S. Heath and George W. Beavers, incurred in visiting Philadelphia and New York on official business, \$87.25; September 30, expenses of George W. Beavers, traveling on official business, \$17.75; July 26, expenses of M. W. Louis and Blain W. Taylor, traveling on official business, \$50.15. (The other items referred to are in the same form as the examples given.) The inspector states that these vouchers do not appear to have been itemized in the proper manner, nor is the necessity for the expenditure of this money by the Washington post-office apparent, and that a full and complete explanation should be made, especially as many of the parties drawing money on these accounts are officials or clerks receiving money from the Department.

Attention is called to seven cleaners, placed on the pay roll of the Washington office under authority of the First Assistant Postmaster-General, to be charged to the appropriation for miscellaneous expenses. (The names of these cleaners—all female—date of appointment, and salary are given.) The inspector states that these parties are on the pay roll and have received pay from date of appointment to June 30, 1899, the date of the inspection, and upon making inquiry of

postmaster as to the nature of service performed by them and where employed, postmaster was unable to give any information on the subject, nor was anyone connected with the Washington office able to give any information as to where they were employed or the nature of their work, and inspector is of the opinion that practically no service whatever has been rendered for the money expended.

Inspector states that by the terms of a lease executed July 28, 1897, by the Union Building Company, of Washington, and the Postmaster-General, September 13, 1897, the premises on C street heretofore leased by the Department for the main office, Washington post-office, were leased for one year from and after October 1, 1897, for \$20,000 per annum, with privilege to cancel same to take effect May 1, 1898, by giving three months' notice, and that on July 14, 1898, the postmaster at Washington was authorized by the First Assistant Postmaster-General to pay rental at the rate of \$22,500 from July 1, 1898, until otherwise directed, and this authority, overlapping the term of the lease three months, from July 1 to September 30, 1898, resulted in a loss to the Government of \$625; that the Washington post-office was moved to its new quarters November 30, 1898, but that rental for these premises was paid to January 1, 1899, at the rate of \$22,500 per annum, a loss to the Government for the month of December.

The inspector sets forth a statement of payments to Katherine Endsley, Charles A. Machen, A. B. Hurt, H. L. Lorenz, John S. Leach, and W. F. Wait, on authority of the First Assistant Postmaster-General, of per diem in connection with claims of letter carriers for overtime charges, aggregating \$4,655. The inspector states that this amount, disbursed from July 1, 1898, to May 1, 1899, was disbursed without authority of law, and calls attention to the comments thereon by the Comptroller of the Treasury in a letter to the postmaster at Washington dated April 26, 1899, in which, referring to such disbursements, he says that these vouchers are for services on letter carriers' claims; expenses can not be allowed without affidavit showing all items and the date and amount of each item. If these are the per diems in lieu of subsistence, cite the law authorizing payment. Furnish a statement from each of the above-named persons, showing what payments have been received by them from other disbursing officers of the Government for services or expenses from July 1 to September 30, 1898. Machen, Lorenz, and Hurt are paid per diem, covering the same period, by the disbursing clerk of the Department of Justice, from the appropriation for defending suits in claims against the United States, for services in letter-carrier claims before the Court of Claims. These are understood to be the same services for which you have paid them. Attention is called to the provisions of section 3832, Revised Statutes, prohibiting payment of salary or per diem from this appropriation in your account for incidental expenses for free-delivery service.

The inspector states that it should be borne in mind that this comment of the Comptroller has reference only to items of this character paid during the quarter ending September 30, 1898; that he can not state the nature of these services or where performed, but that these parties continued to draw pay until the receipt of the Comptroller's letter, the necessity for such suddenly and finally ceasing with final payment for the month of April service.

The inspector at this point calls attention to the letter of the Comptroller already referred to, and states that inasmuch as it bears entirely on matters under consideration he attaches the copy.

In this letter, dated April 26, 1899, addressed to the postmaster at Washington, the Comptroller states that the quarterly account for the period from July 1 to September 30, 1898, settled by the Auditor, has been withdrawn on his (the Comptroller's) motion for a revision, and invites attention to certain items, requesting an explanation.

Referring to article 10 of the account, special-delivery service, vouchers 1, 2, and 3, pay rolls of special-delivery messengers, \$2,409.84, the Comptroller states that no appropriation seems to have been provided for this service, and cites section 3861, Revised Statutes, and postal appropriation act of June 13, 1898, referring to act of March 3, 1895, authorizing a method of payment, but not providing an appropriation, and inquires to what appropriation this amount has been charged. He advises the postmaster that if he intended to charge the pay rolls with appropriation for free-delivery service it should have been done under article 24, and that section 3861, Revised Statutes, does not authorize the payment of any bill from the receipts of his office unless covered by an appropriation.

Under article 12 of the account, clerks in post-offices, the Comptroller calls attention to the reading of the appropriation, "For compensation to clerks in post-offices," and to the fact that the pay rolls submitted show only the name of the person, amount paid during quarter, and signature of payee, while they should show capacity in which the person is employed, annual salary, and date of service,

without which the accounting officer can not determine whether payments are according to law and correctly computed. Referring to voucher 11, W. B. Hasenberg, laborer, \$9.70, appropriation does not seem to provide for laborers, but for clerks only; his service was from July 15 to July 20, 1898, but authority is dated September 7, 1898. Authorization should be in advance.

Referring to voucher 12, J. E. Jones, physician, \$115.49, the Comptroller states that the appropriation provides for clerks only, and inquires by what authority of law a physician is paid from such appropriation, such service not appearing to be authorized under any appropriation for the postal service, and that authority from the Post-Office Department is not sufficient unless the disbursement is according to law.

Referring to payment of \$150 each to Oliver H. Smith and Robert V. Willett, the Comptroller asks for statements from these persons showing capacity in which employed, dates of actual service, and where service was performed each day.

Under article 13 of the account "rent," the Comptroller calls for a statement as to whether rent accounts are covered by contract, whether the contracts or leases are on file with the Auditor, as required by law, and states that rent bills should not be paid unless properly authorized under a contract in force for the time covered. He also inquires as to whether the amount paid for rent of substation covers rent alone, and if it covers fuel, light, and clerical services, by what authority of law such payments are made.

Under article 16, "advertising," attention is called to failure to furnish affidavit of publishers showing that the rates charged do not exceed the commercial rates charged to individuals with the usual discount.

Under article 19, "miscellaneous expenses," Comptroller states that the voucher for William Warren for clerical services on post-office directory, \$89.68, was paid contrary to the provision of section 3682, that "no moneys appropriated for contingent, incidental, or miscellaneous purposes shall be expended or paid for official or clerical compensation."

Attention is also called to vouchers of certain persons for cleaning which do not show what sort of cleaning was done, and request is made for an affidavit showing what service was performed and where performed each day, and the rate of pay in each case, as under section 3682, Revised Statutes, salaries should not be made from the appropriation for miscellaneous expenses.

Referring to voucher of O. H. Smith for street-car tickets affidavit is requested showing when, where, and on what service car tickets were used, and the statement made that car tickets should be purchased from a street-car company, vouchers therefor being signed by the treasurer of the company.

Referring to item of Western Union Telegraph Company, \$13.69, request is made for copies of telegrams.

Under the head of "Traveling expenses," vouchers for which appear to have been allowed by Auditor as miscellaneous expenses, referring to voucher 1, P. S. Heath and G. W. Beavers, traveling expenses, \$87.25, request is made for statement from these officials as to the items of expense and the amount of each item, and, if possible, an itemized statement from each officer.

Voucher 2, M. W. Louis and S. W. Taylor, fees for waiters and porters, \$1.50, request is made for itemized statement for amounts paid to waiters and amounts paid to porters, fees to waiters not being proper charges against the Government, and fees to porters on sleeping cars being allowed not to exceed 25 cents a day.

Voucher 3, G. W. Beavers, traveling expenses, \$8.70, and voucher 5, G. W. Beavers, traveling expenses, \$17.75, affidavit requested showing all items, amount of each, and copies of telegrams.

Under the heading "Account of mail bag repair shops," mail bags, etc., \$25,860.64, and locks, keys, \$9,037.42, inquiry is made by what authority of law such disbursements are made from the receipts of the Washington office, the work being done on mail bags used all over the country, which disbursements, it seems, should have been paid by the disbursing clerk of the Post-Office Department, only those expenses incurred in the Washington office being paid by the postmaster; calling attention to some of these pay rolls being signed in blank, inquiry is made as to what extent this is done.

Under article 22, railway post-office clerks, Comptroller states that in the future postmaster should show on pay-roll the grade, annual salary, and dates of service of each person, if his office continues to make disbursements under this appropriation.

Under article 24, free-delivery service, Comptroller states that in future pay rolls of letter carriers should show grade, annual salary, and dates of service of each carrier. Referring to voucher of A. A. Erb, July 1 to September 10, 1898,



\$195.65, attention is called to the death of this carrier September 10, 1898, while vouchers show payment to him up to and including the date of his death. An inquiry is made whether payment was made to his administrator or personal representative, and instructions given to furnish correct voucher from person receiving the money, letters of administration if any were issued, and if not, affidavit of next of kin. Referring to voucher of W. T. Schlosser, letter carrier, who it appears died July 20, 1898, the evidence request in Erb case is necessary in this case. In this connection the Comptroller states that it seems receipts were signed in blank by persons on the pay roll, and asks by what legal authority this was done, stating that it should not be done and the existence of such a practice would make receipts of little value. Voucher 4, John E. Stanton, is for six days, while it appears this carrier actually served but one day, but signed for five other carriers employed on the same day.

Under the head of "Incidental expenses, free-delivery service," Comptroller calls attention to vouchers for per diem expenses of certain persons, and makes the comment set forth on page 8 of this brief.

Referring to pay roll of eight mechanics, \$1,024, Comptroller states these mechanics are required to be "exclusively employed in repairing boxes and locks and erecting boxes, planting posts and pedestals," and requests affidavit of each person on said roll showing what work was done each day, and where it was done. Referring to O. H. Smith and R. V. Willett on this roll, the Comptroller states that they are also paid as clerks or laborers covering the same period; cites the pay rolls with article 12 and sections 1784 and 1765, Revised Statutes. Calling attention to certain vouchers for repairing letter boxes, Comptroller asks authority of law for paying these bills, saying that a specific appropriation provides salaried mechanics to do this work, and inquires why the work was not done by them. Referring to vouchers 23, 24, and 25, expenses to Wheeling, W. Va., to repair letter boxes, inquiry is made as to why this was necessary and why such expenses were not paid by the postmaster at Wheeling, the statement being made that this appropriation does not appear to authorize salary and expenses.

Under the head of "Military postal service—Expenses of postal clerks," attention is called to certain vouchers not completely itemized, with request for a statement from each clerk showing all the items of his account, with date and amount, where expenses for meals and other items were incurred, the statement being made that most of the vouchers appeared to be for expenses at Falls Church and Camp Alger, and that clerks should be careful to note where each meal was taken, board at headquarters not being allowed unless expressly authorized by law.

In voucher 46, W. S. Larner, drug bill, the charges for seidlitz powders, pills, pennyroyal, calomel, etc., are personal expenses and not chargeable to the United States.

Voucher 30, C. I. Dawson, per diem, Comptroller states that there appears to be no law authorizing per diem in lieu of expenses under this appropriation. Referring to certain vouchers for payment of premiums on official bonds, Comptroller states that expenses of official bonds are not chargeable to the United States.

Referring to vouchers paid by checks, request is made that in future the number and date of check and name of depositor be indicated on each voucher. Attention is invited to section 3848, Revised Statutes, requiring deposits to be made with the Treasurer at least once a week, whereas it appears that deposits have not been made oftener than once a month. An early reply within twenty days is requested.

Under date of May 2, 1899, the Comptroller of the Treasury requested the postmaster at Washington, in connection with his account for the quarter ended September 30, 1898, to furnish further evidence in regard to the "military postal service," in addition to that called for in the letter of April 26, 1899, furnishing statement to be signed by himself or some other official of the office having personal knowledge of the facts, showing where each person on the military pay roll was employed and on what particular duty, July 1 to September 30, 1898.

Inspector states that upon receipt of the above letter from the Comptroller the cashier of the Washington office suspended all payments to the persons mentioned and called upon them to furnish the affidavits required. He was, however, required to continue these payments upon direct written order from the postmaster, who states he was verbally instructed in his action by the First Assistant Postmaster-General. The payments were made under the cashier's protest.

Under date of May 9, 1899, the postmaster addressed the cashier in a letter directing him to continue to pay, in accordance with letters of authority received from the Department making appointments thereto, such persons as are borne upon our several rolls, it being the purpose of the Department to have such payments of salary made on the days upon which they fall due, without delay, and you will not act to the contrary unless directed to do so by me.

In another letter of the same date the postmaster wrote the cashier stating that

he had been verbally informed that the Department had satisfactorily adjusted the accounts relating to the payment of clerks in the military postal service in the Washington office, some of which are held up for revision by the honorable Comptroller of the Treasury, and directing him to make payments to all clerks in the service whose names are borne on our rolls.

In conclusion, the inspector states that the files of the cashier show full, direct, and positive orders from superior authority for the disbursement of all the questionable items mentioned in this report; that the responsibility for the many illegal appointments, the payment of two salaries to one and the same person, and the disbursement of thousands of dollars for which practically no service was performed should be placed where it properly belongs, and the many abuses corrected.

Under date of July 5, 1899, referring to the inspection of the Washington office concluded June 30, 1899, Inspector Owen states that he found the name of one charwoman on the roster of stations A, B, and G, and the superintendents were unable to state what duties they performed and what salaries paid; that in conversation with Mr. Beavers, chief of salaries and allowances division, after the transfer of the post-office to Postmaster Merritt, he, Beavers, requested the inspector to inform the inspector in charge that when he struck the names of the charwomen of the stations it would be well not to mention them in his report, as they were personal appointments of the Postmaster-General, and their appointments had been authorized by the Department, and that they had only been temporarily assigned to the stations until they could be assigned elsewhere.

#### EXHIBIT C.

*Brief of report of Inspector Little on investigation of Washington, D. C., post-office, dated July 31, 1900.*

[Book No. 12, pp. 557 and 568, and Book No. 10, pp. 166 and 177.]

Inspector states that the office had no specified allowance for employees, and that a number of clerks have been added to the rolls of the office without request of the postmaster, and at times it has been difficult, postmaster states, to find employment for all assigned to his rolls. The roster appears to be an elastic one, to be added to as circumstances arise, whether the postmaster has requested it or not, and sometimes rendering it difficult to find places for them. The roster bears the following-named persons, with their designations, who appear to have been detailed to work outside this post-office:

- Ed. S. Allen, bookkeeper, engaged in installing canceling machines.
- George E. Barnard, bookkeeper, traveling inspector of canceling machines.
- H. C. Graff, bookkeeper, also inspector of canceling machines.
- E. B. Commens, finance clerk, on duty in Porto Rico.
- J. A. Holmes, secretary and stenographer, detailed salary and allowance division, Post-Office Department.
- Henry Hood, distributor, detailed salary and allowance division, Post-Office Department.
- Dorothy Lamon, bookkeeper, detailed to Paris Exposition.
- Bessie R. Parke, bookkeeper, detailed Post-Office Department.
- Reuben T. Reeve, record clerk, detailed Post-Office Department.
- D. C. Saunders, bookkeeper, on duty in Porto Rico.
- Laura B. Wunder, inquiry clerk, detailed Post-Office Department.
- Fred L. Templeton, letter distributor, detailed to Post-Office Department.
- Mathias J. Bundy, laborer, detailed Post-Office Department.

The postmaster has no supervision over the above-named persons. The aggregate salaries paid to those not connected with the office amount to \$16,100. Relative to names on the roster not actually employed in the office or under jurisdiction of the postmaster he knows nothing beyond the fact that they are on his rolls by written authority of the Post-Office Department, and the reason therefor is undoubtedly clear to that Department. The postmaster informed inspector the names have been placed there by official orders from the Post-Office Department, and that he had made no request for their appointment.

Relative to those employed in the office, inspector states that W. A. Hutchins, formerly superintendent of Station A (Georgetown), was reduced some time since to "foreman" at \$1,200 per annum; that he is employed in assisting at the general delivery, facing up mail, and in visiting the city post-office to secure stamps and stamped paper, of which he has charge; that he can not issue a money order or make out a report, and was never able to do so when superintendent, and his services should not be entitled to a compensation of \$1,200 and should be reduced at least \$200.

H. S. Williams, borne as money-order clerk, can not perform the duties of that position and has been employed as stamp clerk. He is too infirm to fill that position satisfactorily and should be removed for good of the service.

Miss Kate E. Watts, assigned to Station A as a laborer at \$600 per annum, is rendering good service as a clerk, her employment or that of some other competent clerk being necessary to make up the deficiencies of Hutchins and Williams.

Louis Kempner was assigned to the office roll and a place made for him as inspector of stations, while Mr. Hobmiller, formerly in charge of both stations and substations, was given the latter. One inspector is all the service requires.

E. O. Fowler, who was transferred to the city post-office roll from the Post-Office Department, has been an invalid for some months and unable to perform satisfactory service in the Department. A place was found or made for him as assistant to the "timekeeper" in free-delivery division. The latter receives \$1,000 per annum, while Fowler draws \$1,700 as assistant.

Emma S. Spates was transferred from the Post-Office Department to the city post-office roll as a "nixie clerk," her duties consisting of indexing the letter copy book and notifying publishers that their publications remained in the office uncalled for or undelivered. The postmaster states he had no use for either Fowler or Emma Spates, but as they were assigned to his roll he with some difficulty provided work for them.

Four charwomen at \$500 (two assigned to Station A), one at \$600, and three at \$400, eight in all, with total salaries of \$3,800, concerning which inspector states one at Station A and three at main office, at compensation of \$240 per annum (same as paid charwomen by Post-Office Department), could do the necessary work at a cost of \$960 per annum, reducing expense on this item alone \$2,840.

Inspector states the force of day laborers actually engaged in cleaning the lobby of the post-office, walks, and wood or brass work averages about 12, the night force 4, while 8 are assigned to the registry division and 12 to the mailing division. It would appear probable that a large reduction could be made in this force without detriment to the service and a saving of \$10,000 per annum effected. The foreman of this work, O. H. Smith, is classed on the roster as "finance clerk," at \$1,700, yet has an assistant, W. E. Dunn, at \$700, who is not needed.

Inspector recommended a readjustment of the clerical and laboring force, and that, as far as practicable, the roster be confined to bona fide employees of the office, and only such retained as the needs of the service require, which will reduce the expenditure many thousands of dollars without impairing the efficiency of the service.

POST-OFFICE DEPARTMENT,  
FIRST ASSISTANT POSTMASTER-GENERAL,  
Washington, D. C., January 7, 1901.

POSTMASTER, *Washington, D. C.*

SIR: In a report recently made by post-office inspectors certain facts were developed which resulted in the following recommendations:

*Station A, Georgetown.*—W. A. Hutchins, formerly superintendent of the station, reduced to position of foreman at \$1,200 per annum. He is employed in assisting at the general delivery, facing up mail, and visiting the post-office to secure postage stamps and other stamped paper of which he has charge. He can not issue a money order or make out a report, and never was able to do so when superintendent.

M. S. Williams, borne on roster as money-order clerk, can not perform the duties of that position. Has been employed as stamp clerk. He is too infirm to fill that position satisfactorily and should be removed for the good of the service.

You will, therefore, please give each of these clerks a copy of charges, allowing them three days in which to make reply and submit same to this office, with a view to their removal from the service on the 31st instant.

*Station A, Georgetown.*—Marey Mancy, laborer, \$500 per annum, and Annie E. Drury, janitor, \$500 per annum. One of these women can do all the cleaning and dusting.

Please dispense with Mrs. Drury's services on January 31, 1901.

Arrangements will be made to transfer George E. Barnard, bookkeeper, \$1,600 per annum, to the post-office at Boston, Mass., and H. C. Graff, bookkeeper, \$1,600 per annum, to the post-office, New York, to take effect January 1, 1901, and you will therefore report their separation from the clerical force of your office on Form A-45, to take effect from the date stated.

It is also recommended that the box-rent rates at Station G be reduced to \$1, \$1.50, and \$2 per quarter. You will please make arrangements to put these rates into effect at the beginning of the next quarter—April 1, 1901.

The inspector states that no examinations are held at stations on distribution of mail. You should make arrangements to comply with the regulations in this respect.

Very respectfully,

W. M. JOHNSON,  
First Assistant Postmaster-General.

*Memorandum with reference to a report dated July 31, 1900, of Inspector Little on investigation of Washington, D. C., post-office.*

Ed. S. Allen, George E. Barnard, H. C. Graff, E. B. Commons, J. A. Holmes, Dorothy Lamon, Bessie R. Parke, D. C. Saunders, Laura B. Wunder, and Fred L. Templeton have all been separated from the service of this office.

Henry Hood and Mathias J. Bundy, who were detailed to the Post-Office Department for duty, have been returned, and are performing service in this office.

W. A. Hutchin's salary reduced from \$1,200 to \$1,000, as recommended February 1, 1901.

In the matter of M. L. Williams, he was reported to the Department for removal January 17, 1901, or that his salary be reduced to \$600. The report was accompanied by a letter in Mr. Williams's behalf from Senator William P. Frye. No action was taken by the Department.

The roster title of Kate E. Watts was changed from laborer to clerk, she having been classified.

Lewis E. Kempner and T. C. Homiller have both been separated from the service.

E. O. Fowler (should be E. C. Fowler) has been separated from the service. (Death.) Place not filled.

Emma S. Spates transferred to the Post-Office Department February 15, 1903. Place not filled.

Annie E. Drury, one of the two charwomen at Station A, dismissed January 31, 1901.

No mention in memorandum from the Department regarding any part of laborers' force except so much of it as affected Station A, which was corrected.

W. E. Dunn, who assisted the foremen of laborers, has long since been separated from the service.

All recommendations contained in the memorandum sent me were carried out so far as my actions thereon could do. Copy of the memorandum referred to is hereto annexed.

JOHN A. MERRITT, *Postmaster.*

*Memorandum of separations from the city post-office of parties named in inspector's report dated July 31, 1900.*

Allen, E. S., January 16, 1901, transferred to Buffalo, N. Y.

Barnard, C. E., January 1, 1901, transferred to Boston, Mass.

Graff, H. C., January 1, 1901, transferred to New York, N. Y.

Commons, E. B., September 30, 1901, discontinued.

Holmes, J. A., June 30, 1902, transferred to Post-Office Department.

Hood, Henry, April 23, 1903, returned to city post-office.

Lamon, Dorothy, August 31, 1901, transferred to Post-Office Department.

Parke, B. R., April 23, 1901, transferred to Post-Office Department.

Reeves, Reuben, April 23, 1903, returned to city post-office.

Saunders, D. C., March 2, 1901, transferred to New Haven, Conn.

Wunder, Laura B., December 23, 1901, transferred to Post-Office Department.

Templeton, F. L., July 1, 1902, dropped.

Bundy, N. J., April 26, 1903, returned to city post-office.

Hutchins, W. A., February 1, 1901, reduced from \$1,200 to \$1,000.

Williams, M. L., removal or reduction recommended January 17, 1901; no action taken by Department.

Watts, K. E., transferred to clerks' roll, August 1, 1900.

Kempner, Louis, October 31, 1901, transferred to Post-Office Department.

Fowler, E. C., June 12, 1902, death.

Spates, E. S., April 14, 1903, transferred to Post-Office Department.

Drury, Annie (Station A), January 31, 1901, dropped.

Dunn, W. E., October 19, 1900, dropped.

Homiller, T. C., August 15, 1900, resigned.

JOHN A. MERRITT, *Postmaster.*

*Letter of the Postmaster-General, May 1, 1903, to Robert J. Tracewell, Comptroller of the Treasury, and Mr. Tracewell's reply, May 2, 1903.*

MAY 1, 1903.

MY DEAR SIR: I observe in the Washington Post of this morning a statement which was purported to have been made by Mr. S. W. Tulloch, formerly cashier of the Washington City post-office, in which he sets forth, in substance, that an investigation of the accounts of the Washington City post-office was being made some years since by an expert connected with the office of the Comptroller of the Treasury, and that direct personal and political pressure was brought to bear upon the Comptroller and the investigation was stopped by reason thereof, "just as it was becoming interesting," and the expert having it in charge was removed for a too zealous performance of his duty—presumably as a warning to others.

This is a direct reflection upon the integrity of your office, as well as upon the administration of the Post-Office Department.

As I intend to look into the case somewhat, I shall be glad to have you advise me what, if any, truth or lack of truth there is in the statement referred to.

I inclose herewith a copy of the article referred to.

Very truly, yours,

H. C. PAYNE,  
*Postmaster-General.*

Hon. ROBERT J. TRACEWELL,  
*Comptroller of the Treasury, Washington, D. C.*

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TREASURY DEPARTMENT,  
OFFICE OF COMPTROLLER OF THE TREASURY,  
*Washington, May 2, 1903.*

Hon. H. C. PAYNE,  
*Postmaster-General.*

SIR: I am in receipt of your favor of the 1st instant, in which you direct my attention to a statement purporting to have been made by Mr. S. W. Tulloch, formerly cashier of the city post-office at Washington, D. C., which appeared in the Washington Post of the date of your communication, also inclosing a clipping from said article, in which it is asserted that an investigation of the accounts of the Washington post-office was made by an expert connected with my office and that direct personal and political pressure was brought to bear upon me, and that the investigation was stopped by reason thereof just as it was becoming interesting, and that the expert having it in charge was removed for a too zealous performance of his duty, presumably as a warning to others.

The facts in the matter are that on the 26th day of April, 1899, the accounts of the disbursing officer for the Washington post-office for the quarter ended September 30, 1898, were taken up for revision on my own motion in the ordinary way, and on the initiative of Thomas W. Gilmer, an expert accountant in my office; that I proceeded with the investigation of the accounts until the 31st day of August, 1899, when it was completed, resulting in a certificate of difference, a copy of which I inclose for your information; that at no time before, during, or after the commencement of the revision of said accounts was any political or other pressure brought to bear upon me, or attempted to be brought to bear; that the examination was not stopped by reason of political or other pressure, but was fully and carefully completed under my personal supervision; that said expert accountant, Thomas W. Gilmer, was not removed, but was detailed by the Secretary of the Treasury from my office to the office of the Auditor for the State and other Departments on or about the 18th day of September, 1899, where he has been since employed; that this detail, in so far as I was advised at the time by Mr. Vanderlip, Assistant Secretary of the Treasury and chief of the committee on personnel of the Treasury, was because of reports that had come to him of several instances wherein it was charged that Mr. Gilmer had been impolite and offensive to other Government officials in the discharge of his duties as an expert accountant from my office.

Charges of this nature were made to me by the Attorney-General and the First Assistant Postmaster-General, and, as I understand, he had some minor matters of difference with the appointment division of the Treasury. None of these officials filed with me any written charges against Mr. Gilmer. I assume they reported them to Mr. Vanderlip; in fact Mr. Vanderlip said that the First Assistant Postmaster-General had complained of Mr. Gilmer.

Mr. Gilmer was a most competent, painstaking, and industrious clerk. In my office he displayed none of the traits of character of which these complaints were made.

Very respectfully,

R. J. TRACEWELL,  
*Comptroller.*

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ARTICLE 19, "MISCELLANEOUS EXPENSES."

Voucher of William Warren for salary as clerk disallowed..... \$89.68

This voucher was paid from the appropriation for "Miscellaneous expenses" contrary to the provisions of sec. 3682, Rev. Stat.; see office letter of April 26, 1899.

It is suggested that credit for this item might be obtained on rendering to the auditor a supplemental account under the appropriation for clerk hire, if so authorized by the Post-Office Department, and provided a sufficient amount of said appropriation for the fiscal year 1899 is available.

Voucher 11, Fannie R. Winans, salary for "cleaning" disallowed..... 138.59  
 Voucher 16, Laura E. Nevitt, salary for "cleaning" disallowed..... 37.50  
 Voucher 17, Emma Janes, salary for "cleaning" disallowed..... 136.96  
 Voucher 18, Fannie L. Jeffery, salary for "cleaning" disallowed..... 39.13

These vouchers for salaries are disallowed as in case of William Warren (supra), not being chargeable as miscellaneous expenses.

## ARTICLE 24. FREE-DELIVERY SERVICE (INCIDENTAL EXPENSES).

In my letter of April 26, 1899, objection was made to the payment of per diems in lieu of expenses in the vouchers of C. A. Machen and others. Although said vouchers were irregular, if not illegal, no disallowance will be made in this account, it being stated that no further charge would be made after receipt of my letter on the subject.

Voucher 36, O. H. Smith, per diem as "mechanic," disallowed .....	\$158.00
Voucher 36, R. V. Willet, per diem as "mechanic," disallowed .....	158.00

These persons were employed as clerks during this period and paid salaries as such on the clerk roll from the appropriation for clerk hire. They also charge expenses incurred in the military postal service at Camp Alger covering the same period. It does not appear that they actually served as mechanics, evidence on this point not being furnished as requested by this office.

## MILITARY POSTAL SERVICE.

Voucher 7, C. C. Mayer, per diem and expenses at Falls Church, Va., May, 1898, disallowed, this appropriation not being available until July 1, 1898 .....	4.35
Voucher 46, W. S. Lerner, drug bill, disallowed .....	2.65
These charges for seidlitz powders, pills, etc., are personal expenses, not chargeable to the United States.	
Voucher 20, C. I. Dawson, per diem in lieu of subsistence, July 1 to July 10, 1898, at \$4 a day, disallowed because not authorized by law .....	40.00
Actual expenses might be allowed if properly itemized.	
Vouchers 10, 13, 26, and 29, premiums on surety bonds, disallowed because not chargeable to the United States (2 Comp. Dec., 262; 140 U.S., 171) ..	128.00
Total amount disallowed herein .....	932.86

*Letter of the Postmaster-General, May 1, 1903, to John A. Merritt, postmaster, Washington, D. C., and Mr. Merritt's reply of May 5, 1903.*

MAY 1, 1903.

Hon. JOHN A. MERRITT,  
*Postmaster, Washington, D. C.*

DEAR SIR: I observe in the Washington Post of this morning what purports to be an interview with Mr. S. W. Tulloch, making statements which seriously reflect upon you and your management of the Washington post-office.

I would be pleased to receive from you any statement which you desire to make which will throw any light upon the subject-matter discussed by Mr. Tulloch in the interview in question. I also desire you to give the reasons which actuated you in not reappointing Mr. Tulloch cashier of the Washington post-office when you assumed the duties of postmaster.

It is also stated in the interview that the local postmaster keeps on adding additional employees as directed, whether their services are required or not, and there are other charges which not only seriously reflect upon your office but upon the Post-Office Department as well. It is implied that this adding of employees occurs by reason of the Postmaster-General or the Department designating appointments, promotions, or transfers without regard to the wishes or needs of the local office.

In this connection I request that you give me a statement of all the employees of your office who have been appointed, promoted, or transferred under orders or request of the Department or the Postmaster-General since my incumbency of the office of Postmaster-General (January 10, 1902), together with the date of such appointment, promotion, or transfer, and on whose order it was made, and such other information as will throw any light upon the charges made in the article in question.

Very truly, yours,

H. C. PAYNE,  
*Postmaster-General.*

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WASHINGTON CITY POST-OFFICE,  
OFFICE OF THE POSTMASTER,  
*Washington, D. C., May 5, 1903.*

Hon. HENRY C. PAYNE,  
*Postmaster-General, Washington, D. C.*

SIR: Replying to your letter of the 1st instant, referring to an interview published in the Washington Post with Mr. S. W. Tulloch, which reflects both upon the Post-Office Department and this office, and asking for any statement I may desire to make that will throw light upon the subject-matter discussed by him, and also the reasons which actuated me in not continuing him as cashier of this office, I beg to state that my appointment was made May 29, 1899, but I did not



assume the duties of the office until July 1 following. In the interim I had under consideration the make-up of my executive force, and especially that part of it which under the law I was authorized to choose outside of the classified service, namely, the assistant postmaster and the cashier.

I had no personal acquaintance with either of the gentlemen then filling these places; but I had heard much of them, had made appropriate inquiry concerning them, and finally, before the day fixed upon for taking charge of the office, I had decided not to reappoint either. So far as relates to the cashier, the following statement in detail embodies the reason for my decision:

My judgment of Mr. Tulloch was that he was an arbitrary man, of very noticeable self-esteem, and with such an exalted sense of his own importance and authority as to practically assume official equality with, if not superiority to, the postmaster.

Mr. Tulloch was engaged in much important private business, which brought about his not infrequent absence from duty, and which, even when he was present at the post-office, took up a great deal of his time.

I had reason to believe that Mr. Tulloch was a large investor in private business and a venturesome man in the field of speculation or in undertakings wherein the element of uncertainty largely entered. As I was a Government officer about to take charge of a business that would require the handling of \$3,000,000 a year, more or less, for the security and proper disbursement of which I had given a heavy bond, I did not deem it advisable to retain him as my financial assistant. I preferred to select as my cashier a person of different pecuniary environment and of fewer business responsibilities.

Shortly after I was appointed postmaster, and before I had entered upon the duties of the office, I was approached by Mr. A. W. Bingham, then chief of the finance division of the Post-Office Department, who stated that Mr. Tulloch had got up the bonds of several of my predecessors, and was a surety upon at least one of them, and that therefore he would no doubt be glad to do the same for me. I may have done Mr. Tulloch an injustice in my interpretation of this incident, but I conceived the idea that he had prompted Mr. Bingham to make the proposition, and I resented it.

In the published interview which you mention Mr. Tulloch refers to himself as an *obstacle* in the way of the Postmaster-General and his First Assistant, and that I removed this *obstacle* within five minutes. The fact is that neither the Postmaster-General nor Mr. Heath, directly or indirectly, influenced me in my notion regarding Mr. Tulloch. After my appointment was announced, both the President and the Postmaster-General said to me that so far as the appointments to be made were concerned I was left to exercise my own discretion.

I hesitate to add—though I am constrained to do so under your call for information—that since the separation of Mr. Tulloch from his office a number of things have come to my knowledge which convince me that in his case I made no mistake. Take this incident for example, related to me by Mr. James P. Willett, my predecessor, a few days after I assumed the postmastership, and fully confirmed by the statements of others. He said that his accounts for the last quarter of his term were in a tangled condition; that he was very much worried about them; that his cashier should not have left them in this condition; that he regarded it as the cashier's duty to properly arrange and close them, but that after appealing to him for his assistance, he (Tulloch) absolutely refused to give it unless he was paid \$500 therefor. I need not comment upon this affair. It is only proper for me to say that upon my advice Mr. Willett indignantly rejected the offer, and that Mr. Tulloch never gave him any aid whatever. The work was entirely and satisfactorily done by my own official force.

Upon looking into the practice of the cashier's office prior to Mr. Tulloch's separation from it I found that he had been in the habit for many years of making up the quarterly pay rolls of the office in blank, getting the signatures of the employees thereto, and filling in afterward the dates and amounts paid. I do not charge that these amounts were ever improperly filled in, but I need not say, to any business man at least, that such a practice presented an open door to fraud. In going over, in April, 1899, the accounts prepared by Mr. Tulloch for the period from July 1 to September 30, 1898, the Comptroller of the Treasury discovered this grave irregularity, and thus commented on it:

"It appears that receipts are signed in blank on your pay rolls. By what legal authority is this done? No person should be required to sign vouchers in blank, leaving amounts and dates to be filled in over their signatures. The existence of such a practice makes receipts of little value."

As soon as this practice was brought to my notice I discontinued it.

Before I became postmaster one of the employees of the post-office was sus-

pended from duty from May 5 to June 3, 1898, without pay, without any reason of record, so far as I have learned, and without any Departmental authority. Mr. Tulloch, the cashier, retained this man's pay for the time stated, amounting to \$140.11, against his protest, I am told, obtaining his signature to the customary form of pay roll, however, and then sent the account to the Auditor for the Post-Office Department as though payment had actually been made.

The cashier probably had the postmaster's order to do this, and it seems he did not make personal use of the money. But the transaction appears nevertheless to comprehend the presentation of a false voucher, which is made a crime by section 5483 of the Revised Statutes of the United States. The money thus unlawfully taken was divided by the cashier or by his direction among a number of persons, upon orders signed in the name of the postmaster by his assistant (though in one case no order has been found) until all of it was used up except \$7.66, which is now in the official possession of one of the bureaus of the Post-Office Department. It seems rather extraordinary that Mr. Tulloch should be making so loud an outcry against the management of the Post-Office Department and of the post-office, when his memory should take in this case, in which he was a participant, every feature of which appears to have been without warrant of law.

The irregularities charged by Mr. Tulloch, though I am not informed as to the details, all occurred before July 1, 1899, when I entered upon the duties of the office, while Mr. Tulloch was holding the office of cashier, and when, if he had regarded them as wrong, he should have officially called attention to them. This he evidently failed to do; for the Comptroller of the Treasury, who I understand went thoroughly over the whole matter, and who wrote to the postmaster regarding it, says that he "acted on his own motion." As you will see from the Comptroller's letter, which I herewith inclose, some of the irregularities to which he calls attention were evidently due to Mr. Tulloch's own neglect or ignorance, and all of them are transactions which he had been habitually taking up for the postmaster as part of his accounts. If these things were criminal, as he seems to urge, why did he make himself a party to them? So far as I can see from the files of the office, he never called attention to any of them while he remained cashier. He withheld the performance of this duty until some other man had taken his place; for as I understand the matter, his present charges are the same precisely as those made by him nearly four years ago in the newspapers and to the Postmaster-General a day or two after he went out of office.

If there were any serious irregularities, as Mr. Tulloch claims, they occurred, as I have before said, prior to my becoming postmaster. Whatever they were I think they were nearly all corrected soon after the Comptroller of the Treasury called attention to them.

As to a tendency in the Post-Office Department "to convert this office into a bureau" thereof, "to disburse its funds, appoint, promote, and transfer its employes *without record*, and aiding additional employees, whether their services are needed or not," as Mr. Tulloch asserts, I have to state that I have perceived no such tendency. I have disbursed no money on accounts of any kind without written authority therefor. Appointments, promotions, and transfers, with very few exceptions, have been made upon my recommendation, approved by the Department. Since your administration began there have been 92 appointments, 90 of which were made upon my own recommendation and 2 upon official letters of First Assistant Postmaster-General Wynne. There have been 217 promotions, 213 of which were upon my own recommendation, 1 by official letter of First Assistant Postmaster-General Johnson, and 3 upon official letters of First Assistant Postmaster-General Wynne.

The transfers of employees from other post-offices and the Post-Office Department to this office (all of which were efficient clerks and letter carriers) amounted to 16, 7 of them being made upon my own recommendation and 9 upon official letters from First Assistant Postmaster-General Wynne. There have been 36 resignations, 20 removals, and 13 transfers to post-offices and the Post-Office Department. These facts show how groundless Mr. Tulloch's charge is that the Department keeps on adding employees whether their services are needed or not.

There are now on the rolls of this office 376 clerks and 65 laborers, under which latter head are included all charwomen, janitors, and watchmen, also 251 letter carriers, and 62 clerks in charge of numbered or drug-store stations.

Let me say, further, that there are no superfluous employees in this office. The force is not only not too large, but at times of pressure it is insufficient; so that requisitions have had to be time and again made for the employment of temporary clerks.

Very respectfully,

JOHN A. MERRITT, *Postmaster*.

S. Doc. 151—15

*Letters of the Postmaster-General to Charles Emory Smith, May 1 and 20, 1903, and Mr. Smith's reply, May 27, 1903.*

MAY 1, 1903.

MY DEAR SIR: The Washington Post of this morning contains a purported interview with Mr. S. W. Tulloch, who was cashier of the Washington City post-office while you were Postmaster-General.

The statement reflects seriously upon the integrity of the Post-Office Department, the Washington City post-office, and the office of the Comptroller of the Treasury, but more especially it makes statements which reflect upon your honor and good faith as Postmaster-General.

I am asking all the parties referred to in Mr. Tulloch's statement for facts connected with the case.

I do not know as you would care to say anything about it, but if you are willing to take any notice of it I should be glad to have anything you may wish to say, which I will be pleased to put with the other papers in the case.

I inclose herewith a copy of the article in question.

Very truly, yours,

H. C. PAYNE,  
*Postmaster-General.*

Hon. CHARLES EMORY SMITH,  
*Philadelphia, Pa.*

MAY 20, 1903.

MY DEAR MR. SMITH: I send you herewith a complete copy of the Tulloch letter to me. I will be pleased to have from you, after you have examined the letter, any statement which you may care to make concerning it and the matters to which Mr. Tulloch alludes.

Postmaster Merritt, Auditor Castle, and Comptroller Tracewell will answer fully any aspersions made upon them.

The points upon which it is difficult for us to get information are those where it is charged that people were put upon the pay rolls who did little, if any, work.

I see the appropriation made for the postal service during the war was put directly under the control of the Postmaster-General, to be expended in his discretion.

Very truly, yours,

H. C. PAYNE.

Hon. CHARLES EMORY SMITH,  
*Care of Philadelphia Press, Philadelphia, Pa.*

[The "complete copy of the Tulloch letter" referred to herein is a copy of Seymour W. Tulloch's letter of May 15, 1903, to the Postmaster-General.]

PHILADELPHIA, May 27, 1903.

SIR: I am in receipt of your letter of the 20th instant, inclosing copy of a letter addressed to you by Mr. S. W. Tulloch, respecting the conduct of the Post-Office Department and the Washington city post-office during the years 1898 and 1899.

In reply I beg to say that the allegations of irregularities made by Mr. Tulloch on his retirement from the position of cashier of the city post-office were duly examined at the time. They were taken up item by item and the facts in each case were ascertained. The result of that examination was embodied in a full exhibit of the alleged irregularities and of the explanations in each instance, which is on file in the Department. To this exhibit I refer as embracing a particular and detailed answer to Mr. Tulloch's statement.

Without undertaking to repeat here its specific and minute evidences, let me say in general terms that in most cases it presents what was believed to be a justification of the transactions complained of. The transactions mostly grew out of the conditions incidental to the opening of the Spanish war, and the criticisms betrayed a want of knowledge both of the conditions and of the methods adopted to meet their requirements. The war was declared April 21, 1898. Within a few weeks an army of 250,000 men was raised and organized in camps. It became necessary to provide at once for the prompt handling of the mail of this large body of soldiers and their million friends at home. Any failure to do so would justly have excited universal condemnation.

At the outset no special appropriation was available, and the means had to be provided from the general postal appropriations. Afterwards Congress made a special appropriation for the military postal service, to be expended entirely at the discretion of the Postmaster-General. In meeting the demands of the service and in making good out of one fund what had been temporarily and unavoidably drawn from the other, changes and transfers and special employments were made which might not be understood by those who had only an incomplete knowledge of the facts.

It was found expedient as a matter of practical administration to treat the camps, and afterwards for a time the offices, of Porto Rico as branches of the Washington office, as those of Cuba were treated as branches of the New York office. This involved the enrollment of the men employed for Porto Rico on the Washington roll. For a time some of the extra help needed in the Department was provided for in the same way. Out of these facts ignorantly grew some of the allegations of irregularities.

Compared with the magnitude of the military service, not many new appointments were made. It was the policy of the Department to select trained and experienced men already in the service and detail them for the military and island work. During two years Congress appropriated \$500,000 for the military postal service, to be expended at the discretion of the Postmaster-General. Of this amount \$249,666.55 was spent and the remainder, \$250,333.45, was covered back into the Treasury.

Some reference has been made to the fact that a few machinists appeared to be enrolled on the clerical roll. This may possibly have grown out of one of my acts. After examining the subject I determined to cut down the annual rental of canceling machines used in the post-offices of the country to an extent which effected a saving of about \$100,000 a year in the aggregate to the Government. In consideration of this large reduction the Department agreed to take care of the machines. This required three or four machinists who should travel from office to office for the purpose, and direction was given that the machinists already familiar with the work should be employed. I am frank to say that I do not now recall just how they were enrolled, but it was thought that it could be lawfully done in exempted places, and no mere red-tape of form was allowed to stand in the way of what was believed to be for the good of the service.

The examination of the alleged irregularities in the connection of the Department with the Washington office, as already stated, justified most of them. I should not be altogether candid if I did not say that in some cases I was not convinced of the necessity or propriety of the transactions. These questionable transactions consisted for the most part of placing on the roll a few persons the need of whose services were not clearly shown. When these facts developed, the proper officers were instructed that every proceeding which could not be justified should be remedied and stopped.

It is proper for me to add that Mr. Tulloch's allegations were the subject of an independent and searching investigation by the Comptroller of the Treasury, who made a minute examination of the vouchers and of the authority for expenditure in the several cases, the result of which was that his disallowances amounted to

\$932, a considerable part of which sum was afterwards allowed on further inquiry. Of the results of his investigation I was fully apprised.

About the same time Fourth Assistant Postmaster-General Bristow informed me that inspectors had found the same apparent or actual irregularities in the Washington office. I advised him, according to my recollection, of the investigation which the Comptroller of the Treasury had made and of the steps which were being taken to rectify any wrong.

In Mr. Tulloch's letter he does not repeat his earlier statement that when he made his representations I did nothing. He does, however, say:

"I was creditably (?) informed at the time that the matter so prepared, with perhaps other evidence, was laid before Postmaster-General Smith by Fourth Assistant Postmaster-General Bristow, who requested the appointment of a commission to investigate the office of the First Assistant Postmaster-General. This was refused by Mr. Smith, who looked upon it as another manifestation of the relations between Perry S. Heath and Mr. Bristow."

In reply I refrain from making the obvious comment, and content myself with saying that the statement that General Bristow made any such request and that I refused it is entirely untrue.

Very respectfully, yours,

CHAS. EMORY SMITH.

HON. HENRY C. PAYNE,  
*Postmaster-General, Washington.*

*Letter of the Postmaster-General, May 5, 1903, to Seymour W. Tulloch, and Mr. Tulloch's reply, May 15, 1903.*

MAY 5, 1903.

MR. S. W. TULLOCH,  
*Forest Glen, Md.*

SIR: I have observed in the Washington Post certain statements made by you relating to the administration of the Post-Office Department previous to the year 1901, and which reflect upon certain officials and the methods of conducting the business of the Department and the Washington post-office.

I shall be pleased to receive from you any statement which you are willing to make in writing, accompanied by any papers, documents, or evidence confirmatory of the charges which have appeared in the Washington Post.

Respectfully, yours,

H. C. PAYNE,  
*Postmaster-General.*

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WASHINGTON, D. C., May 15, 1903.

HON. H. C. PAYNE,  
*Postmaster-General, Washington, D. C.*

SIR: In response to your request, made through Fourth Assistant Postmaster-General Bristow, to be furnished a statement in writing with regard to the irregularities in the postal service referred to by me in a recent interview, I beg to say that a full and complete statement would require a comment upon the pay rolls, vouchers, and records of the Washington City post-office for a period of upward of two years or more previous to my removal as cashier, June 30, 1899, by John A. Merritt, postmaster. Conditions are more important than details. In the interest of good government I have called attention to certain features, in order that, during the pending and promised reorganization of the service, care may be taken to provide against a repetition of similar irregularities in the future. It may be necessary to state that in all instances of irregularity and favoritism the proper allowances, records, vouchers, etc., were most carefully executed and kept, as a rule, and little information can be ascertained by an investigation of the same. The real facts, those behind the allowances and vouchers, are not of record, are known to few—those interested, who will not, and others, clerks, who dare not, talk. Typical examples in support of the charges made, I trust, will be sufficient in the interest of brevity.

For upward of nineteen years to my personal knowledge the conduct of affairs between the Washington City post-office and the Post-Office Department was regular; allowances, if anything, too economical; and all accounts were strictly audited. Then came the first break, not important in the amount involved, but signalized as the precursor of a system of allowances to the Washington City post-office on account of departmental expenditures, which afterwards led to irregularities, abuses, extravagance, and my removal as an "obstacle." Mr. Shepard, then chief of the salary and allowance division, Post-Office Department, desired a file case for the use of his office. His requisition for some reason or other was turned down by his superior officers.

Later, vouchers were presented to me for a file case, accompanied by an allowance for the payment of the same out of the funds of the Washington office, made

by Mr. Shepard and signed by the First Assistant Postmaster-General in the course of the official mail. I supposed, of course, the case was intended for the Washington office, and directed the contractor to obtain a certificate of delivery of the goods. He then informed me the case was for the salary and allowance division. Mr. Shepard refused to acknowledge the receipt of the goods, fearing exposure during the audit of the vouchers, and I refused to pay for the same until someone was willing to father the same.

Not long afterwards the McKinley Administration came into power, and almost immediately a marked change in the official atmosphere of the Post-Office Department was very apparent. The First Assistant Postmaster-General sent his clerk down to me with a voucher for traveling expenses, accompanied by an allowance for the payment of the same from the funds of the Washington office. Such a demand was irregular on the face of it; payment should have been requested from the regular disbursing officer for the Department. Only a single voucher, however, was presented, and that for a lump sum. Knowing the official had not been long in office, I explained—as courteously as possible—that vouchers presented in payment for traveling expenses were required to be executed in duplicate, fully itemized, subvouchers furnished where possible, the account acknowledged before a notary public as to the correctness of the same, and stating it had not been possible or convenient to obtain the subvouchers omitted.

The official in question, instead of thanking me, became very angry at the idea of a mere cashier attempting to make any suggestion to him, and refused to amend his voucher. The postmaster called upon him in person relative to the matter, explaining I had only asked for what was required by the Auditor and according to precedent. The postmaster upon his return stated the official had said: "Look here now, this is a new Administration and a new crowd, and we intend to make our own precedents." That they did so has been painfully apparent to the country for some time. I continued to refuse to pay the voucher unless I was assured by the Auditor for the Post-Office Department it would be taken off my hands. He, knowing I was right, was not willing to give me any other directions in writing, but sent me word through the postmaster that on account of the feeling shown in the matter if I would simply inclose the vouchers in my next account its informality would be overlooked. I believe, however, he required it to be sworn to.

Thus early I incurred the enmity of the office of the First Assistant Postmaster-General and perhaps, had the Auditor promptly and properly sustained me other irregularities would not have been so boldly attempted, or the office of the Auditor been placed in the position where it was compelled to overlook many things which followed. An inspection of the accounts of the Washington office will show many similar subsequent payments of traveling and other expenses on account of the departmental official without the usual departmental checks.

Up to this period letter carriers had been furnishing personal bonds to the Department direct, while postmasters, though giving their own bonds direct to the Department, took such bonds only from their own subordinates as they desired for their own immediate protection.

The Washington office was surprised one day to receive from the office of the First Assistant Postmaster-General, salary and allowance division, a printed circular stating it was intended to require all the employees of post-offices to give a blanket bond direct to the Department, said bond to be furnished by a single recognized bonding company, irrespective of the fact whether such employees could furnish good personal bonds or might desire to avail themselves of competition in premium between other bonding companies. A similar blanket bond was, I believe, to be required of letter carriers. A consultation was held with the postmaster by those whose premiums were apt to make quite an inroad into their salaries, and especially where they were able to furnish satisfactory personal bonds without cost.

The Postmaster had a conference with Mr. George W. Beavers, then Chief of the Salary and Allowance Division, who told him the scheme would surely be put into operation. The Postmaster reported upon his return that Mr. Beavers had said: "Senator Platt, of New York, would appreciate the fact if he would select the Senator's company." Evidently the scheme was not enthusiastically approved by the postmasters and employees throughout the country having political influence, or by the other bonding companies not in the trust, as the records of the office of the First Assistant Postmaster-General should show that the original circular was subsequently modified by succeeding orders which, while requiring all employees to give bond, allowed them to select their own bond or bonding companies, the Department, however, desiring for the sake of convenience, as large a blanket bond as possible from some individual company in case there was no other

marked preference. Competition between the companies soon made the premium nominal. The original scheme contemplated could have led to grave abuse.

Residents of Washington remember well receiving a few years since an official letter from the Postmaster at Washington, D. C., recommending and seemingly requiring the purchase of an expensive house-to-house collection box to be attached to their front doors. This box was to be used not only for the delivery of letters but the mailing of the same, a medium for the purchase of postage stamps, etc. Many persons bought these boxes and went to considerable expense to have them placed in position. A brief account of this graft may be interesting. This box was the property of individuals or an individual company. It was always supposed that certain Departmental officials took more than a passing interest in it, in connection with certain other prominent personages. It is a well-known fact that the agents of the box frequented the Washington office with an assurance and authority which seem to imply very substantial backing.

It was a well-known regulation of the Department that under no circumstances could the postmaster or any employee inform anyone with regard to the address or residence of any person or resident of the city. Travelers passing through were refused the addresses of friends and relatives, many instances of hardship came under my personal observation, yet the agents of this box, upon the refusal of the postmaster to furnish same, brought an order from the office of the First Assistant Postmaster-General, Free-Delivery Service, directing him to turn over to them the route books of the letter carriers, in order that these agents might send to all proper residents by name an official communication bearing the heading of the Washington City Post-Office, seemingly requiring, under the approval of the Post-Office Department, and over the facsimile signature of the postmaster, the purchase and use of this box.

This circular letter the postmaster never saw, never had any connection with, and only became aware of after it had been mailed. He strongly protested to the Department against any such unauthorized use of his name and seeming official indorsement, but to no effect. The office was afterwards deluged with letters and visits from the persons with regard to repairs of these same boxes, or who felt they had been imposed upon by being required to purchase a box which proved of little subsequent value. It is needless to state the parties complaining received little satisfaction and the office was placed in a most humiliating position. The agents moved on to other cities. They may have repeated the same tactics elsewhere. That any other corporation or person should be able to obtain the use of carriers' route books for exploiting any one article to the exclusion of others, or of any scheme at all, was a grave abuse. Such information or lists would be worth thousands of dollars to addressing agencies or any one competitor in business. I notice by the daily press, complaint with regard to apparent favoritism in equipping newly established rural-delivery routes and furnishing the names of patrons.

The Assistant Postmaster and myself were summoned one day to the office of the Postmaster, where we found Col. R. J. Bright, ex-Sergeant-at-Arms of the United States Senate. The Colonel had received a letter from a friend in New York City stating that he had been approached to go into a money-making scheme, and into which he contemplated putting considerable money, upon the indorsements given by two high postal officials whose letters he had inclosed; but before investing he desired the Colonel to look into the matter for him. The papers submitted were the prospectus and circulars with regard to a scheme known as "The Economic Postal Association," of doubtful utility or profit. We were not unprepared to find the two high officials recommending the same for investment to be Mr. George W. Beavers, Chief Salary and Allowance, and Mr. August W. Machen, Chief Free-Delivery Service.

I will omit all reference to the purchase of typewriters, book typewriters, cash machines, time clocks, etc., special types of which were purchased to the exclusion of others, or whether the articles were desired or not. Similar cases were referred to recently in the public press, and have been for some time, and no doubt have your careful consideration.

Considerable feeling was manufactured toward me in the office of the First Assistant Postmaster-General because I would not pay vouchers for services or supplies upon personal request or by direction over the telephone. I always insisted that the written authority should be in my hands before making payment.

One instance in regard to this may be sufficient. Mr. J. Holt Livingston presented vouchers for payment, one afternoon, amounting to several hundred dollars for postal furniture. I courteously informed him the allowance for the same had not yet been received. He said he was just down from the office of the First Assistant Postmaster-General and that orders had been given for the issuance of



the allowance. I replied that I would make payment immediately upon its receipt. He requested the use of my desk telephone and called up Mr. Beavers, informing him of my refusal to pay. Some private conversation ensued which seemed to show that Mr. Beavers was not in a pleasant frame of mind. Mr. Beavers, he informed me, told him to say it was all right and I would receive the allowance in the next morning mail. I expressed my regrets that I was unable to pay the voucher until the allowance had been received. I was informed that it would be sent down by private messenger as soon as it was signed by the First Assistant Postmaster-General. I again refused to break a rule I had found from experience to be absolutely necessary.

Mr. Livingston departed quite angry, and some time afterwards returned with the allowance properly executed and still damp from the copying press. It was for a shipment of furniture, as I remember, to Cuba or Porto Rico. Upon inspection of the vouchers I noticed no one had certified as to the receipt of the goods and called the attention of Mr. Livingston to the omission. He explained it would be all right and that he needed the money. I declined to pay unless some responsible official would acknowledge the receipt of the goods. Whereupon Mr. Livingston became confidential, and told me his company did not have very much capital, that work had not yet even begun upon the furniture, but that "George" had agreed to advance him the money in payment. It is needless to add no payment was made, and had not been, as I remember, at the time of my removal from office.

Some unpleasant occurrences from time to time caused me to be designated as an "obstacle" by First Assistant Postmaster-General Perry S. Heath. Payments were authorized to Mr. Livingston amounting to about \$2,500, as follows: First Assistant Postmaster-General, Salary and Allowance Division, A. G., May 5, June 3, and June 19, 1899. That of June 19 was for \$1,723, for Porto Rico, and was rendered in a lump sum. An intimate friend of Mr. Heath's, Mr. M. D. Holm, was the vice-president of the company. It is stated the company shipped \$8,000 to \$10,000 worth of supplies to Cuba on the order of Messrs. Rathbone and Neely and fitted up the American Post-Office at the Paris Exposition. Mr. Livingston was also in charge of the Washington Office of the Keyless Lock Company.

Extensive purchases of furniture for Porto Rico, amounting to over \$1,300 and involving some washstands at very high prices, were purchased by order of the First Assistant Postmaster-General, Salary and Allowance Division, A. G., April 25 and May 22, 1899, from George W. Cobb, jr., 72 Nassau street, New York City.

We will now pass to some evidence of favoritism in appointments. Mr. Oliver H. Smith, of Muncie, Ind., was an intimate friend and associate of Mr. Perry S. Heath and it was necessary to do something for him. The First Assistant Postmaster-General, Salary and Allowance Division, A. G., November 20, 1897, wrote as follows to the Washington office: "I have this day allowed you \$600 per annum to provide for the appointment of Oliver H. Smith as a laborer, at the several stations connected with your office. Mr. Smith will act in a dual capacity, serving both clerks and carriers. The Free-Delivery Division will also make an allowance of \$2 per day to cover car fares and incidental expenses for Mr. Smith, who is, I believe, to report to you on the morning of the 23d instant. This is the gentleman whose appointment has been frequently recommended by you." This last sentence was a piece of pleasantry on the part of Mr. Heath and an evidence of his dry humor. He used the expression "at your request" or "in accordance with your recommendation" in connection with many appointments concerning which the postmaster was entirely ignorant, and for whose services, if he received them at all, he had no use or need. December 15, 1897, Free-Delivery Service, "F-4270-L," General Heath wrote: "Mr. Oliver H. Smith has been detailed to assist in repairing, painting, and erecting street letter boxes. He will be paid through your office at the rate of \$2 per day for every working day, commencing November 23."

It will be noticed that Mr. Smith's pay as a mechanic on street letter boxes was dated back to include also the date of his reporting for duty as a laborer at the stations. The regularity of the above authorization is open to question. In the first, he is appointed a laborer and paid from the allowance for "clerk hire," a fund under the Salary and Allowance Division; in the second, he is paid as a per diem mechanic from the allowance for repairing street letter boxes, a fund under the Free-Delivery System, another branch of the First Assistant's office, and audited by different clerks in the Treasury Department. A person faithfully performing the duties of the one, would be unable to devote full time to the other. As a matter of fact, Mr. Smith did very little of either, spending most of his time reading newspapers in the office of the postmaster and assistant postmaster, varying the same by calls upon his friends in the office of the First Assistant.

During the summer of 1898 Mr. Smith was in service at Camp Alger, Va., in connection with the military postal service. August 10, 1898, he rendered, under oath, the following statement as a "true and accurate account," which was paid by order of General Heath, August 8, 1898, "A. W.," Salary and Allowance Division, from appropriation for military postal service: "Necessary expenses incurred during July, 1898, for car fare, wagon hire, and meals in connection with handling military mail at Falls Church, \$15.60." September 8, 1898, he was paid under oath the following account, authorized "A. G.," September 3, 1898, Salary and Allowance Division, from appropriation for military postal service: "Transportation, meals, and handling military mail at Camp Alger Postal Station for the month of August, 1898, \$12." Mr. Smith was also paid under oath the following account, authorized "A. W.," October 4, 1898, Salary and Allowance Division: "To expenses for street-car fares for quarter ending September 30, 1898, \$22.50." This allowance was in continuance of that of March 11, 1898. Most of this time was spent at Camp Alger, as shown above.

While as above engaged it is difficult to see how his per diem expenses as a mechanic repairing street letter boxes was earned, yet payment was directed by General Heath, "F-2636-L," October 8, 1898, Free-Delivery System, as follows: "This will be your authority to pay O. H. Smith, \$158 for painting, repairing, and erecting street letter boxes during the quarter ended September 30, 1898." Mr. Smith was absent in Indiana as "a worker" for two or three weeks about election time; nevertheless he drew his full per diem salary as a mechanic by order of General Heath November 29, 1898, "F-2985-L," Free-Delivery System: "This will be your authority to pay mechanics employed at your office for services during the month of November, as follows: Oliver H. Smith, \$52, etc." I have gone into the case of Mr. Smith somewhat in detail. Paid through special allowance made by different divisions of the same office, he was compensated at the rate of \$1,300 per annum without any bother of civil service, his duties were a blind, absolutely nominal and unnecessary, he was paid full per diem whether in the city or absent. Just before Mr. Merritt's appointment as postmaster this "laborer" and "mechanic" was designated Auditor of Stations at \$1,700 per annum, another excepted position. This position was also entirely nominal.

The Washington Times, May 30, 1900, thus playfully alludes to him:

"As long as the Hon. O. H. Smith, of Muncie, enjoys the honors and emoluments of official title his chiefs in the Post-Office Department can rest easy, for Colonel Smith is one of the most accurate forecasters of events that has ever come out of the occult land of the Hoosier. Before he came to Washington, Colonel Smith had done a thriving business among his people as a fortune teller and clairvoyant. It is said that many a time he has gone into a trance at the request of the Hon. Perry S. Heath, the Hon. George Washington Cromer, and other eminent Hoosiers in the Muncie vicinage, and foretold for them great events in their lives. The claim is made that none of his forecasts have proved untrue, and it is supposed that this marvelous gift was what chiefly recommended him to these statesmen for the position in the public service which he now occupies. It is understood that he has looked into the future and discovered that there is no trouble ahead for his chiefs and has advised them accordingly."

Upon Smith's promotion he was succeeded in his arduous duties by Mr. Nathan H. Baker, another intimate of General Heath's, as follows: First Assistant Postmaster-General, Salary and Allowance Division, "A. S.," April 28, 1899, appointed as a "laborer," at \$700 per annum; also Free-Delivery System, "F-137-L," as a mechanic, repairing street letter boxes, at \$2 per day, except Sundays. Mr. Baker was afterwards appointed Assistant Superintendent city delivery.

A case of irregularity in the office of the Superintendent of Free Delivery was the detail to his office of a letter carrier, Mr. S. D. Boss, who was carried months upon the rolls of the local letter carriers. Many per diem and expense accounts in connection with the Free-Delivery System were paid through the Washington office. Mrs. Katharine Endsley, said to be a sister of Mrs. Abner McKinley, was one of Mr. Machen's assistants. On account of her connection with the *royal blood*, when she visited the city post-office to draw her \$7 or \$8 per diem, she didn't expect to sign pay rolls like others, in the Cashier's office, but the guard was paraded; she went to the postmaster's room, and the rolls and her remuneration were brought to her with great ceremony.

Another case of favoritism was that of Mr. J. E. Jones. Mr. Jones was a reporter upon one of the Washington daily papers (the Evening Star) whose duties took him constantly to the Post-Office Department. He had been shifted there from the District building when his course had provoked the resignation of the Hon. John W. Ross, as District Commissioner. Mr. Jones was appointed September 8, 1898, as Physician to the Washington City post-office, at \$1,700 per annum

from September 6, 1898, for a period of ninety days. Such an office was a sinecure and took but little, if any, of his time seriously. December 21, 1898, by order of the First Assistant Postmaster-General, Salary and Allowance Division, the appointment was continued until further orders. I have been told he was also in receipt of a salary of \$1,800 from the Post-Office Department, but never gave it any credence. An uncle of his, I believe, a Mr. Williams, he caused to be appointed as a laborer in the Washington office.

That Mr. Jones was upon most intimate terms with the Department may be gleaned from the society notes of the Washington Post, February 8, 1900:

"A complimentary farewell dinner was given last night by Dr. J. E. Jones, of 1618 T street, NW., to Mr. George W. Beavers of the Post-Office Department. Mr. Beavers sails on Wednesday next for Paris, where he takes charge of the United States postal exhibit at the Paris Exposition. After dinner there was speech-making, although everything was of an informal character. The Postmaster-General made a witty speech on the departure of Mr. Beavers. Mr. Perry S. Heath, First Assistant Postmaster-General, also spoke, and referred in complimentary terms to the valuable assistance Mr. Beavers rendered him.

"Other speeches during the evening were made by Commissioner of Pensions H. Clay Evans, Assistant Attorney-General Barrett, of the Post-Office Department; Representatives Sherman and Lybrand, Mr. Beavers, and Doctor Jones. Those present included Postmaster-General Charles Emory Smith, First Assistant Postmaster-General Perry S. Heath, Commissioner H. Clay Evans, of the Pension Office, Postmaster Merritt, of this city, Harrison J. Barrett, Assistant Attorney-General for the Post-Office Department, Representatives Lybrand, of Ohio, and Sherman, of New York, and Mr. George M. Allen, Chief Clerk of the First Assistant Postmaster-General.

A clerk in my office, Mr. Charles W. McWhorter, informed me that an employee in the mailing division, whose name he gave at the time, had told him he had been approached by another employee, recently transferred to the office, who had stated he had been authorized to pick out seven men in the Mailing Division for promotion July 1, 1899, provided those promoted would divide with high officials in the Post-Office Department. I paid but little attention to this charge at the time as it required confidential relations with too many persons, save to make a note of it, but the recent charges with regard to a promotion syndicate in the New York Post-Office and elsewhere causes me to refer to the same.

It was a well-known fact at the time, when Mr. Perry S. Heath, bought into the Seventh National Bank of New York City and was elected a director of the same that he caused the postal funds which, from 1889 till early in 1899 had been deposited with the Chase National Bank, amounting to a daily balance of from \$60,000 to \$200,000 to be transferred to his own bank.

On account of the intimate relations between the Department and the Washington Office, verbal directions often accompanied the written and were more interesting, for example: The postmaster one day brought me an allowance of the First Assistant Postmaster-General, Salaries and Allowances Division, July 27, 1898, appointing Emma Janes and Fannie R. Winens as cleaners or charwomen for the period of one year from July 1, 1898, at \$600 per annum. Handing me the allowance he stated it was the order of the Department that the names of the women should not appear upon any pay rolls. They must be paid upon individual vouchers and I must so arrange for payments that the parties designated should not know that the other was in receipt of any money or had any connection with the office. He also stated that neither of them was expected to report for any duty.

Some time afterwards, when, owing to the absence of both the Postmaster and his Assistant, I was acting Postmaster, Mrs. Janes appeared and demanded the first payment of her salary. I informed her she would have to obtain a certificate with regard to the date of commencing service from the Superintendent to whom she was assigned. She replied her duties were of a confidential nature and that she had not been assigned to any division. I then told her she would have to await the return of the Postmaster. She insisted that I, as acting Postmaster, should certify to myself, as Cashier, that she began service upon a day she mentioned. This I refused to do. She asked me if a certificate from Mr. Heath or Mr. Beavers would answer. I said it would. She soon afterwards returned with a direction from Mr. Beavers directing her payment from a date specified.

This complimentary roll was added to as follows, by direction of the First Assistant Postmaster-General: Salary and Allowance Division: September 6, 1898, Fannie Jeffrey; September 7, 1898, Laura E. Nevitt; December 1, 1898, Margaret S.

Burke; January 9, 1899, Kate S. Whiteside and Lizzie Crothers; January 12, 1899, W. A. Slenker; January 25, 1899, Frances Daly; March 16, 1899, Helen Fenton. For fear of doing injustice to a worthy woman, there was one of the above, whose name has escaped me, who actually did the work of her position. Laura E. Nevitt was a daughter of Doctor Glavis, who for some years represented the Hamburg-American Steamship Line at Washington, and who is said to have arranged a pleasant passage to Europe for General Heath and his family. Her brother, George O. Glavis, jr., was also appointed by General Heath as a Clerk in the Washington office. General Heath requested special treatment for him in the registry division, allowing him to select hours best suited to his convenience, and then promoted him, August 1, 1898, to \$1,200 per annum. October 2, 1898, he was transferred to the New York post-office.

Gilmer Colson was appointed December 6, 1898, as a Laborer. He was supposed to be employed in the Department. Mr. Joseph B. Forker was supposed to have been transferred from the Department; he was appointed as a Finance Clerk at \$1,600 per annum, but never performed any such duties. His appointment was over the heads of, and without reference to, old and experienced clerks who had served for years.

With but one or two exceptions the appointments as Cleaners, Charwomen, Laborers, etc., were evasions of the Civil Service, and the parties did not perform the duties implied in their official designation, often no service whatever. Instead of being paid upon regular pay rolls like other employees they were paid upon separate vouchers as a miscellaneous expense of the office, contrary to section 3682, Revised Statutes, and the still more explicit act of August 5, 1882, section 422, Stat., 255.

Transfers were made by the First Assistant Postmaster-General from outside offices without any request or demand from the local Postmaster. As such might be mentioned, April 19, 1899, Elsie J. Anderson, \$600, from Sistersville post-office, W. Va.; May 27, 1899, William Bonar, \$600, from Nyack, N. Y.; March 10, 1899, Percival Marshall, \$600, from Columbia, Tenn.; D. G. Miller, \$900, from Winchester, Va. The Postmaster was directed by General Heath to consult with Mr. Miller and arrange hours which would be satisfactory to him.

It was obviously the intent of Congress in the Classification Act of March 2, 1899, 25 Statutes, 841, that certain positions as therein classified should receive compensation within the limits therein stated for the services implied in the given designations. This act was ignored by the office of the First Assistant Postmaster-General. The salary was given, and the designation was made to fit it, irrespective of duties performed.

Especially was this true of sundry persons designated Finance Clerks, Auditors, etc., and paid from \$1,600 to \$1,700 each per annum, who by no accident handled public funds or postal accounts, and were paid illegally from \$200 to \$300 each per annum over and above the duties of their lawful positions. Among such could be mentioned: L. F. Bergman, Assistant to Superintendent City Delivery, paid \$1,700 as Finance Clerk from October 26, 1899; Joseph B. Forker, Clerk, paid \$1,600 as Finance Clerk from November 29, 1898; Benjamin Parkhurst, Assistant to Superintendent of Mails, paid \$1,700 as Finance Clerk; W. A. Ridgely, Assistant to Superintendent of City Delivery, paid as Finance Clerk; R. L. Smallwood, Assistant to Superintendent of Mails, paid as Finance Clerk; Oliver N. Smith, paid \$1,700 as Auditor of Stations from April 1, 1899. Most of these were worthy men and deserved good compensation, nevertheless the method was irregular and illegal.

The question of mails for the troops, at the commencement of the Spanish War was an urgent one, and the happy and possible solution of it by making military camps stations of neighboring post-offices deserves full commendation. Afterwards Porto Rico was made a station of the Washington office; Cuba a station of New York City; the Philippines a station of San Francisco; and a portion of the "War Fund" was set aside, I believe, for the Military Postal Service. Great opportunities were thus presented for favoritism and irregularities. The men appointed, with few exceptions, were ignorant of general postal affairs, regulations, or accounts. Matters, especially in the money-order business, became quickly confused, throwing extra work and care upon the responsible officers in this country, and requiring in some instances, I believe, the services and expenses of experts.

One example may be sufficient: Mr. J. W. Whitney, said to be the father-in-law of Mr. Harrison J. Barrett, late Assistant Attorney-General for the Post-Office Department, was appointed as Postmaster of one of the principal cities of Porto Rico. He was supplied by the Washington office with about \$2,500 in postage stamps, money, and supplies. Reaching New York, the fascination of a great city proved too much for him. After the transport had sailed, carrying all his

goods, he rushed upon the pier in a very disordered state. He was placed upon the following transport and finally reached the seat of his duties. His office was left largely to the care of native clerks. When he was called down sharply by the Washington office with reference to irregularities in his money-order account, he wrote back: "Perhaps if you knew who my influence is, you would not write me in such a manner."

Upon his failure to remit sufficient postal funds, I refused to supply postage stamps, etc., in excess of his bond. He was reduced to purchasing them in small quantities from neighboring offices to the great inconvenience of the patrons of his office. Thereupon the Washington office was notified by the office of the First Assistant Postmaster-General that his bond had been doubled, and was directed to ship Mr. Whitney immediately a new supply. His postal account became so confused and full of errors, I refused to pay him his salary, in order to make good as far as possible. He surprised me one day by calling and demanding his back pay. This was refused until his account had been audited. He replied, "Very well, at your convenience, I have just been appointed to a \$1,400 position in the Land Office."

The career of Sherman P. Bristow at San Juan is well known to many postal officials. He was a small edition of Messrs. Rathbone and Neely.

At the time of my removal most of the offices in Porto Rico were in arrears, some of them for a considerable amount, and the accounts very much confused. The records of the Department should show whether these balances were collected in full or not, and if not, may it not be asked why the Department did not proceed against the parties in arrears upon their bonds, paid for, contrary to custom, by the Government itself by order of the First Assistant?

The Washington Post, in an article in its issue of May 21, 1900, is quoted as follows:

"The statements recently heard in certain circles contrasting the character and efficiency of the postal service in Porto Rico with that in Cuba, where great frauds have been disclosed, has been followed by persistent counter rumors from several different sources that everything is not as it should be. An instance, cited on apparently good authority, is of an alleged shortage of \$3,300 on the part of a postal official who went from this city to Porto Rico. An accounting was demanded, but was delayed for weeks and weeks, and finally a bonding company, which has nearly all the business of the Post-Office Department in the islands of the West Indies, was requested to settle. Numerous conferences followed, but the upshot of it all was that the bonding company did not make good the deficit. Finally the matter was temporarily settled by certain private parties making a small part payment to the Post-Office Department. The remaining deficit, said to be \$3,000, is carried on the books."

Much has been said by ex-Postmaster-General Smith, ex-First Assistant Postmaster-General Perry S. Heath, and Comptroller Tracewell, in public interviews, about the exigencies of the Military Postal Service, the doubt as to which postal account some items should be charged being the only point at issue. Edward S. Allen, an expert mechanic to repair canceling machines in the United States post-offices, was appointed March 15, 1899, at \$1,400, and charged to the Military Postal Service; H. A. Cummings, appointed at \$900 August 22, 1898, promoted to \$1,000 January 1, 1899. D. M. Monroe, appointed April 1, 1899, and Frank Z. Murray, appointed September 21, 1898, at \$1,000, saw no other military service save in the Salary and Allowance Division.

The Washington office allowance for clerk hire having become a little top-heavy, a cut was made as follows: First Assistant Postmaster-General, Salary and Allowance Division, "A. S.," January 3, 1899, "From January 1, 1899, the last 20 regular clerks appointed in your office will be paid from the military appropriation. You are requested to forward a report on Form A-45, showing the names of the 20 clerks, in order that the same may be temporarily dropped from your regular clerk-hire roll." Thus 20 persons were added to the Army in the field, irrespective of their duties at home or that several of them were women.

But did these exigencies, however, require the personal investigation of so many Indiana, Ohio, and other politicians and friends of officials? Free trips to Porto Rico, Cuba, and return became the fashion. All expenses were paid from the time of leaving home, Pullman, hotels, etc., then a pleasant voyage upon a transport, a trip around one or more of the islands, expenses to Washington, and hotel bills there, while friends and officials were informed of their observations: then Pullman and passage home. This was a "pretty good thing" in itself, but the generous office of the First Assistant not only paid all expenses, but a good salary as well during the period of investigation, the salary sometimes lasting for weeks and months after the return of the recipient, while no possible service was being

rendered. All this was charged to the military postal service, a fund to be used for those accompanying the armies in the field.

A few instances may be mentioned: William T. Clark, appointed September 10, 1898, at \$1,400 and expenses, paid to December 21, 1898; Frank J. Claypool, appointed September 9, 1898, paid salary and expenses to November 10, 1898, \$348.74; Oscar Durante, appointed September 8, 1898, at \$1,400 and expenses, paid until April 30, 1899, no service known from January 1, 1899; A. A. Hill, appointed September 12, 1898, paid salary and expenses to October, 28, 1898, \$163.73; Winfield Scott Lerner, appointed August 29, 1898, at \$1,200, and afterwards increased to \$1,400 and expenses, paid to November 15, 1898; and Neal P. Loveland, appointed October 11, 1898, at \$1,600 and expenses, paid to January 31, 1899.

I trust instances enough have been given to make good my charges that "the whole tendency of the Post-Office Department is to convert the local office into a mere bureau of the Department, disburse its funds, and appoint and promote its employees." So strict is legislation covering the Department itself that irregularities are more difficult; but with a complaisant Postmaster and Cashier, and more especially at Washington, where personal directions without record can take the place of written, everything is simplified, and one official of the Department need not know what another is doing.

"With regard to appointments or promotions of personal and political friends or the transfer of the same to Washington from some obscure office just placed among the classified, all that is required is the action of the First Assistant Postmaster-General's office, Salary and Allowance Division. It finds the money, designates the appointment or promotion or transfer, and the local postmaster keeps on adding additional employees as directed, whether their services are required or not, while other offices badly in need have to go without.

"The Civil Service can always be got around when necessary, as seen in the appointment of cleaners, charwomen, laborers, financial clerks, auditors, mechanics, and other excepted persons, irrespective of the duties performed or whether any duties are performed. The same is also true with regard to the purchase of supplies and traveling expenses of Departmental officials. The local office can be made to pay the freight, and disinterested officials of the Department remain in ignorance."

It is needless to state the Postmaster, Assistant Postmaster, and myself held many anxious conferences over the course of events, and the pressure put upon the office by Department officials. We never expected the accounts would be ultimately passed in full, and our policy was to require each specific order in writing from the Department under all circumstances. Should the United States ever sue the postmaster on his official bond to clear the record, we desired to have a full defense. I was not altogether unprepared, then, when during the latter part of April, 1899, Mr. Thomas W. Gilmer, the expert accountant of the Comptroller of the Treasury, called upon me and demanded an explanation of certain payments during the quarter ended September 30, 1898. At his request I accompanied him to the Treasury Department when he put me through a rigid examination. This account had previously been audited and passed by the Auditor for the Post-Office Department.

I may say in passing, that it is the duty of the Comptroller of the Treasury to see that the auditors are efficient and strict, as it is for the auditors to see that the disbursing officers are honest and correct. The result of this call of Mr. Gilmer was a letter from the Comptroller disallowing, as I remember, between \$30,000 and \$40,000 for the quarter in question, known as revision No. 2824, "T. W. G." April 28, 1898. At the time of its receipt the Postmaster was out of the city resting over Sunday at the Woodmont Club. His health was very poor, and both the assistant postmaster and myself believed it best not to worry him about the letter at the time or compel his return before he intended. The receipt of the letter was immediately acknowledged and certain action therein requested taken in order to preserve the legal rights of the Postmaster.

Upon his return, two or three days later, a full report was made of our action. He was very much worried about it and said he had strict orders from General Heath to bring all papers received from the Comptroller immediately to him, and that his office would dictate all replies. The action had come sooner than expected. General Heath had become aware of the contemplated investigation by being informed of the withdrawal of the account from the office of the Auditor for the Post-Office Department. Upon the return of the Postmaster from a visit to the office of the First Assistant he reported that the officials involved were very angry with all of us; with the Assistant Postmaster and myself for acknowledging the receipt of the letter or taking any action with reference to the same, charging us

with having secretly acted in collusion with the Comptroller and his expert; and also with himself, the Postmaster, charging him with running away to avoid the issue and throwing the responsibility on his subordinates. It is but just to the Postmaster to state the official mail had not been opened at the time he left on an early train.

Answers to certain portions of the letter of the Comptroller were prepared by the different officials involved in the office of the First Assistant, and the Postmaster requested me to prepare complete answers for the typewriter. I did as directed, disclaiming all responsibility, and telling the Postmaster the answers were incomplete, evasive, and in certain cases untrue. The completed answers, having been approved by the office of the First Assistant, was, after considerable delay, dispatched. The receipt of this letter from the Comptroller brought about a crisis.

The position of the Cashier was rendered still more difficult; payments were falling due daily which had been declared illegal, and irregular by the Comptroller. This was especially true with regard to certain pay rolls. May 9, 1899, I received the following command from the Postmaster: "You are directed to continue to pay in accordance with letter of authority received from the Department making appointments thereto, such persons as are borne on our civil rolls, it being the purpose of the Department to have such payments of salary made on the days when they fall due, without delay, and you will not take action to the contrary unless directed to do so by me."

Meanwhile the correspondence continued with Mr. Tracewell, of Indiana, the Comptroller; and I was informed he was visited by General Heath, of Indiana; Mr. Beavers, Mr. Machen, Deputy Auditor Larshe, of Indiana, and others; also, I believe, by Congressman Landis, of Indiana. These gentlemen called singly and collectively.

The office of the Comptroller of the Treasury is unique. He is all powerful within his jurisdiction. It is almost impossible to remove him for doing his duty as he sees it. Enough irregularities have been presented to him to warrant his continuing his investigation into the quarters ending December 31, 1898, March 31, 1899, and June 30, 1899, to ascertain the continuance or extent of these same irregularities. It was for just such a crisis his office was created and safe-guarded. Some time later I called upon him and informed him I had been removed from my position as cashier for supposed assistance given his own expert during the investigation. What was the result? He directed his experts as follows some time later:

TREASURY DEPARTMENT,  
OFFICE OF COMPTROLLER OF TREASURY,  
Washington, D. C., September 19, 1899.

Mr. GILMER: You may take up for examination any postmaster's account for fiscal year 1899 except New York City and Washington, D. C.

R. J. TRACEWELL, *Comptroller*.

Mr. CLEMENTE: In accordance with the above you will permit Mr. Gilmer to look at accounts in your division with the exception noted. Requests for removal of accounts from the bureau should have the approval of the Auditor or the Acting Auditor.

Respectfully,

A. L. LAWSHE, *Acting Auditor*.

In an interview reported in the Evening Star May 27, 1900, Mr. Tracewell said: "A considerable amount of the irregular accounts should not, by a strict construction of the law, have been allowed. I stated squarely at the time that I would pass those accounts only on condition that similar practices should not be repeated."

In an interview reported in the Washington Post May 3, 1903, Mr. Tracewell is quoted as saying:

"I will reiterate what I stated last evening, that Mr. Gilmer was a very efficient expert accountant and his work was very satisfactory. In fact, he accomplished generally about a third more than any other clerk in my office. No written charges or complaints were ever filed against Mr. Gilmer and none is on file. Mr. Perry Heath, who visited me regarding Mr. Gilmer, was unwilling to file any written charges. I confess I was surprised to hear from Mr. Heath and the

other gentlemen mentioned yesterday the statements that Mr. Gilmer was annoying in the ways he asked for papers effecting Government accounts. His conduct in my office has always been exemplary."

And yet under all these conditions Mr. Tracewell admits he permitted the removal of Mr. Gilmer upon the verbal complaint of Perry S. Heath, First Assistant Postmaster-General, the actions of whose office were then under investigation as a result of the inspection of the accounts of the Washington City post-office; meanwhile he having given written orders himself to Mr. Gilmer, as acknowledged also by the Acting Auditor for the Post-Office Department, Mr. Lawshe, prohibiting the examination of the accounts of New York and Washington post-offices, the two post-offices having Cuba and Porto Rico as substations.

Was ever a greater opportunity lost? Would not a courageous official appealed to the Secretary of the Treasury or, even still higher, to the President of the United States or the people thereof through the public press before he would consent, permit, or allow the removal of the most efficient clerk he had in his office for doing his duty? Had he done so and made all the more zealous investigation of irregularities in high places, the Cuban scandals would never have become so effective, and your administration of the Post-Office Department, as well as the Administration of President Roosevelt, one of our most honest and fearless Presidents, would have been saved many unpleasant moments, the end of which is not yet in sight, if the people should become convinced that the present investigation of the affairs of the Post-Office Department is insincere. It was for just such an emergency that the office of the Comptroller was created and guarded.

It may be questioned whether Mr. Gilmer was actually removed. The night of September 20, 1899, he called at my house, stating his turn had come at last, as he and his family had all along feared. He said he had been notified by Comptroller Tracewell that his removal had been requested by Acting Secretary Vanderlip on the charge that he had walked into Deputy Auditor Lawshe's office with his hat on. I was of course indignant at this new manifestation of the corrupt use of power by those in high positions. The next day I called upon Comptroller Tracewell and Acting Secretary Vanderlip and put in an earnest plea for Mr. Gilmer, stating what I knew about his efficiency and correcting some misapprehensions with regard to his conduct during the investigation. Mr. Gilmer was then given a temporary detail of four months in another and distinct division of the Treasury Department, and later was advised by Secretary Vanderlip, who probably, upon further investigation, felt he had been imposed upon, to apply for a permanent detail at a reduced salary to the position he was then occupying.

With regard to the question of Mr. Gilmer's tact, Harper's Weekly in its issue of May 16, 1903, says:

"Mr. Tracewell also acknowledges that the expert employed upon the investigation was punished by being transferred to another office, which amounted to a reduction in grade. The expert, he says, was very efficient, but was not sufficiently *tactful* in his methods, and some of the persons investigated complain of his conduct and demeanor as offensive. Curiously enough, the postal officials see nothing humorous in these adjectives, '*tactful*' and '*offensive*.' Their attitude recalls the adage that 'No rogue e'er felt the halter draw with good opinion of the law.' The American people do not want an investigator of frauds to show himself over-tactful and inoffensive."

What would be thought of a police captain who would "break" a patrolman upon the statement of a midnight burglar whom he was pursuing that the policeman was not in full evening dress and was disposed to be rudely violent?

I have already stated the action of the Comptroller produced a crisis in the existing relations between the Post-Office Department and the Washington City post-office. The office of the First Assistant felt resentment against the postmaster for preventing the revision being smothered at the start and still greater resentment against the assistant postmaster and myself for supposed complicity in it. The postmaster, having been warned officially, could no longer plead ignorance of the law if sued upon his bond.

About this time the Brotherhood of Locomotive Engineers, as representing organized labor, was reported in the daily press as urging the redemption of a campaign promise to recognize Mr. Edwin C. Madden, of Detroit, Mich., who had expected the appointment of Third Assistant Postmaster-General. The Administration had been looking vainly for "something equally good" acceptable to Mr. Madden. It was reported he had been offered the Washington office.

The office of the First Assistant, for good reasons, did not desire the appointment of any local citizen, and it was suggested to President McKinley he could make a good double play by appointing Mr. John A. Merritt, of Lockport, N. Y., then



acting as Third Assistant Postmaster-General and an intimate associate of the personnel of the office of the First Assistant Postmaster-General, to the Washington office, and give Mr. Madden the one post he had so long desired. President McKinley acted quickly upon the suggestion in spite of the spirit and letter of his party platform adopted during the campaign of 1896, which declared for "home rule" and that Federal officers should be selected from bona fide residents only, and in spite of the fact also that very reputable local men, one especially, an old soldier with a fine record, had filed strong indorsements, and tendered the office to Mr. Merritt, who accepted.

Shortly after his selection, almost before it became generally public, he informed a gentleman who mentioned me to him, and after my removal repeated the conversation to me, that "Tulloch had to go, General Heath insisted upon it, and no pressure brought to bear could save him." At the same time he by no sign gave evidence of his intention toward me, probably fearing an influence which might have been brought to bear which perhaps even he or General Heath would not have cared to ignore at that time. Immediately after Mr. Merritt's appointment he designated his son, N. Allen Merritt, his private secretary, at a salary of \$1,600 per annum, whom he has recently promoted to be cashier at \$2,600 per annum. Also his step-son, N. K. Van Alstyne, superintendent of the registry division, at a salary of \$2,200 per annum. This, together with his own salary of \$6,000 per annum, makes a total drawn by his household of about \$40,000 for services during the past four years from the local postal revenues of this city.

He has been well paid for removing a cashier who had proved an "obstacle." While Third Assistant Postmaster-General, Mr. Merritt had the above-named Mr. Van Alstyne appointed postal agent at San Juan, P. R., at a salary of \$1,600 per annum and expenses, together with all traveling expenses going to and coming from the island. His son, N. Allen Merritt, also noted above, was appointed at a salary of \$1,000 per annum, together with traveling and all other expenses, as a clerk in the post-office at San Juan. He did not serve in Porto Rico more than a fortnight, I believe, and it was rumored about the Department at the time he cabled, at Government expense, fearing he had yellow fever. "Papa, send a transport quick, I am sick." He returned home as soon as possible and was carried on full pay on the military postal roll of the Washington office for several months after his return, for which he could render no lawful service, if he rendered any at all, under the terms of the appropriation.

Upon the return of Mr. Van Alstyne from Porto Rico he also was provided with a good position in the Post-Office Department. Having shown, as above, Mr. Merritt's disposition to use public office for his own personal and family ends, he was unable to resist political and departmental pressure for the ends of others. As a consequence, I believe, the local character of the office is almost entirely overlooked, together with its economical administration. It is said numerous nonresidents have been appointed or transferred to the Washington office since his appointment at salaries in excess of those paid to the oldest local employees after years of faithful service. If there is any post-office in this country where the postmaster should be a local man of the firmest character, highest standing, greatest integrity, absolute fearlessness in the discharge of his duties, and to be defended in the proper discharge of the same by the President and Senate and against the usurpations, influences, and spiteful punishments of unprincipled post-office officials and bureau chiefs when they find they can not use him, it is the postmaster at Washington.

An interview with Mr. Merritt, reported in the Washington Post of May 2, 1903, quotes him as saying:

"When I came here as postmaster I found Mr. Tulloch serving as cashier. I wanted some one I knew personally as cashier, and therefore told Mr. Tulloch his services would not be required after a certain date. Nobody dictated that change to me."

This was much more courteous than his interview reported in the Washington Times, May 26, 1900, in which he is quoted as saying:

"About the first thing I did when I was appointed postmaster of Washington was to discharge a man named Tulloch from the position of cashier of the office, and put in a man I knew. I made no charges against Tulloch. He was not protected by the civil-service rules, and I only exercised my privilege in discharging him."

It is said, however, that Mr. Merritt had no personal knowledge of the person he appointed as my successor. Had Mr. Merritt simply desired to appoint some one he knew, we can imagine how he might have waited a proper time, especially until matters were running smoothly under his new appointment, and then, sending for Mr. Tulloch to come to his private room, say:

"I understand you have been over twenty-one years as cashier of this office and that you have been retained during two Democratic Administrations on your record. I have no complaint to make either with regard to your work or your politics, but you must appreciate the fact I would like to have some one I know personally, or to whom I am under obligations, to fill your position. I understand you are a business man. Look around, as convenient, and find some good berth. When you have found it, I will give you a month's leave of absence with pay, and trust we may part in a pleasant and friendly manner."

The actual facts, however, were as follows: Immediately after Mr. Merritt, accompanied by Mr. George W. Beavers, chief salary and allowance division, signed for the office and took possession he followed me down to my own room at the far end of the corridor and removed me then and there on the spot. Mr. Beavers saw that "the goods were delivered" and probably made an early report to General Heath.

I am informed that persons have seen the letter of Mr. Merritt written to you in response to your recent request, and it is stated that in it he has made quite an attack upon me. In his letter I stand charged with four crimes:

First. That a fine of one month's pay was deducted from Benjamin Parkehurst and not accounted for. I have no personal knowledge of the incident, but presume it was one of regular occurrence each month when Mr. Springer, superintendent of mails, fined delinquent employees in his division, caused them to sign in full for the entire amount, and then paid their fines, which he deducted, over to the substitutes who acted for the time being in their places. His books should show a complete statement of all deductions, as he was, I believe, very particular to obtain the receipts from the substitutes in all such cases. The cash room has nothing to do with such matters.

Second. That I went on postmasters' bonds. I am happy to state I was able to do so in two instances, for \$50,000 each, the first, that of Mr. Frank B. Conger, son of Senator Omar D. Conger, of Michigan, chairman of the Senate Committee on Post-Offices and Post-Roads. Mr. Conger was my father's assistant when he was postmaster, and succeeded him in the office. He was a young man at the time and compelled to give a big bond. I gladly assisted him in raising it. I gave no bond to him as cashier myself. I also went on the bond of Henry Sherwood, a one-legged veteran of the war, who had been for years assistant postmaster. The appointment to the postmastership lay between Mr. Sherwood and myself at the time Mr. John W. Ross was appointed District Commissioner. I at once waived my chance in favor of Mr. Sherwood, helped him raise his bond, and am not ashamed of the fact.

Third. That I was displeased with Mr. Merritt because he would not accept me as a bondsman, or a company in which I was interested. I never proffered myself to him as a bondsman and never had the chance. I never was connected with a bonding company.

Fourth. That I refused to settle the accounts of Mr. Willett unless I was paid \$500. This is perfectly true. I had just been kicked out. The final account, on account of the confusion and shortages in Porto Rico, was, I knew, apt to be a very difficult one. I intimated it would take two months' time, and agreed to do it at the rate of my old salary for that period as cashier, Mr. Willett stating he believed he could obtain a special allowance for the amount from the Department. Having been removed, unless I was officially recognized I had no right to enter the cash room or its vaults or to consult any of the official orders connected with a proper settlement. I preferred to spend the time otherwise, at the seashore with my family, and I was badly in need of a rest after the hardest year I had ever spent in the office.

Last night's Evening Star, May 14, 1903, states as follows:

"Postmaster Merritt is said to have stated in his letter to Mr. Payne that one of the first things he did after deciding to accept the post-office was to look up the question of Mr. Tulloch's staying. Mr. Merritt states that he was approached by a close friend of Mr. Tulloch's with the suggestion that Tulloch go on his bond. He had declined this offer. Then Mr. Merritt says that he investigated Mr. Tulloch's fitness for the position, and this investigation led him to believe that Mr. Tulloch was not the proper man to remain as cashier. Mr. Merritt, it is said, gives his reason for this belief on his part."

I am not altogether surprised to note this feeling manifested by Mr. Merritt. He either was duped by his associates in complying with their request for my removal or he did it deliberately, with full knowledge of the facts. He appears to wish it to be understood to be the latter case. His personal attacks upon myself are entirely natural under the circumstances and to be expected. It is not unusual in an investigation of the abuse of public office by national or municipal

officials that the only persons convicted in the end are the witnesses who have had the audacity to appear on behalf of the people.

When Mr. Merritt followed me to my room and removed me on the spot I requested him to notify me with regard to his action in writing, which he promised to do the next morning. On account of the alleged assertions of Mr. Merritt as given in the press, it may be interesting and appropriate to give his statements at that time:

WASHINGTON, D. C., July 1, 1899.

SEYMOUR W. TULLOCH, *Cashier, etc.*

SIR: Deeming it for the best interests of my administration as postmaster at Washington, D. C., that there should be a change in the position of cashier, I have to inform you that you are hereby removed.

Very respectfully,

(Signed)

JOHN A. MERRITT, *Postmaster.*

WASHINGTON, D. C., July 1, 1899.

Hon. JOHN A. MERRITT, *Postmaster, etc.*

SIR: I have to acknowledge the receipt of your letter of this date, removing me from the position of cashier of the Washington City post-office. As this comes immediately upon the assumption of your position, and as I have occupied my position for almost twenty-one years without the loss of a single penny in the millions disbursed, and with a record, I believe, to be proud of with the accounting officers of the Treasury, may I ask you if your very summary action is based upon any political reasons, or charges affecting my integrity, or my administration of the affairs of my office? An early answer will oblige.

Very respectfully,

(Signed)

SEYMOUR W. TULLOCH, *Cashier.*

WASHINGTON, D. C., July 1, 1899.

Mr. SEYMOUR W. TULLOCH.

SIR: Replying to your favor of this date asking if your removal as cashier of the Washington, D. C., post-office was on account of being "based upon any political reasons, or charges affecting my integrity, or my administration of the affairs of my office," I beg to advise you that it was not. I also beg to advise you that my reasons for your removal are quite fully stated in my letter of this morning.

Very respectfully,

JOHN A. MERRITT, *Postmaster.*

WASHINGTON, D. C., July 22, 1899.

Hon. L. E. MCCOMAS, *Williamsport, Md.*

SIR: I am in receipt of your favor of the 19th instant, relative to the position of cashier in this office, and which place has heretofore been filled by Mr. Seymour W. Tulloch for many years. I note all you say with reference to the standing of Mr. Tulloch, both intellectually and politically, and I assure you that while I have no personal acquaintance with Mr. Tulloch, I am quite sure, from such general information as I have regarding him, that he merits all you say.

\* \* \* \* \*

I assure you that as regards "it might be somebody in the office has been bearing false witness," there is nothing in this. \* \* \*

Very respectfully,

JOHN A. MERRITT, *Postmaster.*

Which Postmaster Merritt are we to believe?

It is said persons live and die within the roar of Niagara Falls and yet fail to gaze upon its beauty. So the Hon. Charles Emory Smith, ex-Postmaster-General, may be forgotten as a brilliant diplomat and journalist and be remembered as the one person in the Post-Office Department who was ignorant of the scandals connected with his office. The Washington Post, in an editorial printed May, 1900, says:

"The Post, to its sorrow, finds that it was mistaken as to the attitude of the Postmaster-General. Its confidence in his willingness to have the light turned on was misplaced. This admission is chronicled with regret—deep regret. In announcing that the head of the Post-Office Department invited investigations the Post believed it was speaking the simple truth. To be forced to a contrary conclusion by developments, or lack of developments, since Saturday last, is anything but pleasing to the Post.

"The charges affecting the Post-Office Department, in its relation to the Wash-

ington City post-office, were made in good faith. These charges were specific. The Post indulged in no sensationalism. It did not call upon Congress to overhaul the affairs. It suggested merely that the Postmaster-General look into things. Moreover, it gave him the names of witnesses, some of them officials in high standing in his own office, who could promptly establish every charge made. These charges were neither trivial nor frivolous. They involved irregularities which, for one quarter alone, cost the Government thousands of dollars. They involved also clear violations of the law in payment of double and triple salaries. And one-half of the story has not yet been told.

"The Post is disappointed in Postmaster-General Smith. It confidently believed that he would act, and act promptly. It hopes yet that he will reconsider, not that scandal may be exploited, but wholly and solely for his own enlightenment. A thorough investigation will open his eyes to many things. It may prove unpleasant for the time being, but it will be very profitable to him and to the Government in the end."

The Chicago Inter Ocean is quoted in the Post of June 1, 1900, as saying:

"Whatever surprise the postal scandals may have caused in Washington they certainly need not have caused any in Chicago. Barely two years have passed since indisputable evidence of gross irregularities in the postal inspector's office in this city was brought to the Postmaster-General's direct notice. That evidence utterly failed to impress Mr. Smith with the propriety of disciplinary action on his part. In fact, it actually moved him to deny publicly that it existed.

"The proof of negligence, incompetence, corruption, and collusion with black-mailers was fastened upon a branch of the postal service in this city. It was fastened there by special representatives of Mr. Smith's Department and was reported to him in full. Yet this eminent reformer remained utterly calm and indifferent. He countenanced the abuses in question rather than risk the publicity of remedying them. Remembrance of this incident alone, if there were no others, would suffice alone to prepare the ordinary observer of departmental work for looseness and corruption in other branches of the postal service. A department that permits abuses because it fears the political effect of stopping them can never be more than a home of incompetence and a nursery of scandal. It is unfortunate that the revelations in Cuba and Washington should annoy the President and the Republicans in Congress, but it is still more unfortunate that this annoyance did not come to a head months ago, and in such a manner as to preclude the possibility of Mr. Smith doing further damage to his party and his country."

It was Charles Emory Smith's own paper, The Philadelphia Press, May 27, 1900, which said: "Falsely claim postal frauds. Democrats instigate canards about the post-office at Washington. Special dispatch to The Press.

"Washington, May 26.—Another attempt was made this morning to bring discredit upon the Republican Administration by charging gross irregularities in the Washington City post-office. It was published as a broadside in the Washington Post, a paper that is understood to be conducted in the interests of the Bryan Democracy, and is on a par with that other canard exploited by the same paper a day or two ago to the effect that great frauds had been discovered in the administration of the customs service in Cuba."

There are none so blind as those who will not see. Just previous to my removal, an inspection of the Washington City post-office was made by the very competent inspector in charge, William B. Smith, assisted by a corps of inspectors. Captain Smith went over the affairs of the cashier's department most thoroughly, going back for a space of four years, and examining carefully each pay roll and voucher and the authorizations and allowances for the same. He became aware also of the inspection then in progress by the expert from the Comptroller's Office, Mr. Gilmer. Captain Smith made careful notes, and being fully informed upon all points by myself for my own protection, as I had known him for years and esteemed him highly, was able to place before his chief, Fourth Assistant Postmaster-General Bristow, partial glimpses of the operations of the office of the First Assistant Postmaster-General in both the Salary and Allowance and Free-Delivery divisions. This was afterwards supplemented by additional testimony given by me at his request after my removal.

These reports are in the files of the Department and have been. While so engaged, Captain Smith received word from an associate of the First Assistant Postmaster-General that he had better be careful or he might lose his own head. I was credibly informed at the time that the matter so prepared, with perhaps other evidence, was laid before Postmaster-General Smith by Fourth Assistant Bristow, who requested the appointment of a commission to investigate the office of the First Assistant Postmaster-General. This was refused by Mr. Smith, who looked upon it as another manifestation of the relations existing between Perry S. Heath and Mr. Bristow.

Knowing these facts, I delivered in person the following letter to Postmaster-General Smith:

WASHINGTON, D. C., July 3, 1899.

*To the Postmaster-General and the postmaster at Washington:*

Mr. Seymour W. Tulloch has been suddenly and unexpectedly displaced as cashier in the Washington Post-Office. He and his father, former Postmaster, came from New Hampshire and have always been stanch Republicans.

Mr. Tulloch is an honest, responsible, and capable official of capacity and character unimpeachable. I ask for him an impartial examination of his case and his merits, and if there is no flaw therein, as I am sure there will be none, I request that he may be reinstated.

Very respectfully,

WM. E. CHANDLER.

*Chairman Committee on Post-Offices and Post-Roads.*

During my interview with Postmaster-General Smith, Mr. Thomas P. Graham, an old official I know intimately, was standing in the window alcove. Mr. Heath rushed in and out a number of times, but without speaking.

I told the Postmaster-General that I didn't come with a tale of woe. I did not ask or expect any reinstatement. I was out and knew I could not get back, but for his own good I desired to warn him, as one who had served during the Star Route investigation and trial, that if he didn't take some action with regard to the condition of affairs he knew to be existing in his Department his administration would end under a cloud, if not in disgrace. He said, "Do you think so?" I replied, "Mr. Smith, I know so."

Mr. Smith asked me then what these conditions were, and I replied: "Standing as a discharged employee, I preferred not to prefer charges, but that all the facts had been gathered by his own men and were a part of the files of the office of the Fourth Assistant Postmaster-General." I bade him consult them. He said: "I will look into the matter." I then withdrew. The country would regret to take him at his published word that he did look into the matter thoroughly and his action or nonaction was with the full knowledge and consent of President McKinley and his Cabinet.

I have tried to limit myself as far as possible to the affairs of the Washington City post-office and the Post-Office Department with which I am personally familiar. I have tried to avoid scandals and rumors of grosser irregularities for the same reason, not that I doubt their truth in many instances. The features I have mentioned occurred under my personal observation four years ago. The Comptroller states he put his foot down hard to stop many of these irregularities. It is to be hoped for the good of the service that the officials in question saw the error of their ways and reformed after my removal. With the expiration of the appropriation for Military Postal Service upon the day I left office a very convenient means for conducting irregularities and extravagance ceased.

It is to be noted, however, according to the daily press, that a recent inspection of the Washington Office did not find everything immaculate, and that by your own order several cases of favoritism, as evidenced in charwomen doing clerical work, were ordered stopped. It is also well known that the prominent officials involved have been forced from their official positions, two of them only recently.

I have not attempted to give all the evidence in my possession, and do not claim to have touched as fully as possible upon many of the features involved; that could only be possible by review of pay rolls, vouchers, official letters, and reports to which I have no access, and the possession of which by private persons is prohibited by law, making it very difficult for an outsider to prefer or substantiate charges against public officials. This is the cause of the apparent failure of many charges against corrupt officials; the person preferring the charges from the outside is often denied the use of public records, and then his statements are dismissed as being too general. I trust I have been, however, sufficiently successful in "making good" the charges which appeared in the public press, especially when I stated:

"In connection with all honest citizens I, of course, take great interest in the present efforts of the Post-office Department to investigate itself. I doubt, however, if anyone, not even those making the investigation, will ever ascertain or realize all the ramifications of a certain coterie of officials, past and present, together with political backers and participating friends. Very few "good things" have lasted longer, been enjoyed with greater effrontery, or been so protected by those high in authority and influence."

Meanwhile, should you desire any further assistance from me in your investigations of postal affairs, I beg to remain at your service, and

Very respectfully,

SEYMOUR W. TULLOCH.

*Letter of the Postmaster-General, May 2, 1903, to John R. Procter, Civil Service Commission, and Mr. Procter's reply, May 4, 1903.*

MAY 2, 1903.

Hon. JOHN R. PROCTER,  
President United States Civil Service Commission,  
Washington, D. C.

SIR: The Washington Post of May 1, 1903, contained what purported to be an interview or statement made by Mr. S. W. Tulloch, formerly cashier of the Washington city post-office, which makes statements and charges reflecting upon the integrity, capacity, and management of the officials connected with that office, and several other public officials whose names are mentioned in the articles.

Among other things it is stated that the civil service can always be gotten around when necessary, as seen in the appointment of cleaners, charwomen, laborers, financial clerks, auditors, mechanics, and other excepted persons, irrespective of the duties performed or whether any duties are performed.

As I consider this statement, if true, a reflection upon the efficiency of the Civil Service Commission, as well as upon the integrity of the administration of the Washington City post-office, I would be pleased if you would advise me as to the standing of that office in its relations with your Commission, the number of persons excepted from the classified service employed in the Washington office, and any other facts which may have a bearing upon this subject.

Very respectfully,

H. C. PAYNE,  
Postmaster-General.

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UNITED STATES CIVIL SERVICE COMMISSION,  
Washington, D. C., May 4, 1903.

The POSTMASTER-GENERAL.

SIR: The Commission has the honor to acknowledge the receipt of your letter of May 2, inviting attention to an article which appeared in the Washington Post of May 1, 1903, which purported to be an interview or a statement made by Mr. S. W. Tulloch, formerly cashier of the Washington City post-office, containing statements and charges reflecting upon officials connected with that post-office and other public officials whose names were mentioned.

Among other things, it is stated that "the civil service can always be gotten around when necessary, as seen in the appointment of

cleaners, charwomen, laborers, financial clerks, auditors, mechanics, and other excepted persons, irrespective of the duties performed or whether any duties are performed." You express the opinion that this statement, if true, is a reflection upon the efficiency of the Civil Service Commission as well as upon the integrity of the administration of the Washington City post-office, in view of which you ask the Commission to advise you "as to the standing of that office in its relations with your Commission, the number of persons excepted from the classified service employed in the Washington office, and any other facts which may have a bearing upon this subject."

The relations of the Washington post-office with the Commission have not varied materially from the official relationship that has existed between this office and other large post-offices. About the only official business that postmasters have been required to transact with this office has been the reporting, on forms prescribed by the Commission, of all changes which occur in their respective offices. This form of report, so far as it related to the carrier service, was discontinued in June, 1901, and, so far as it related to the clerical and other employees, on July 1, 1902, since which dates the changes occurring in the post-office service have been reported in statements prepared in the free-delivery and salary and allowance divisions of your Department, over the signature of the First Assistant Postmaster-General.

A careful review of the files for the Washington post-office for the past six years shows that there was considerable correspondence between the Commission, the postmaster, and the Postmaster-General in regard to appointments to positions that were treated as unclassified. This correspondence usually started upon receipt of reports from the postmaster showing appointments to positions treated as unclassified, but without sufficient information in regard to the duties performed to enable the Commission to determine whether the positions and employments were properly so treated. In some cases a report would show on its face that a position had been improperly treated as unclassified, or that a person appointed without examination to a position designated as laborer had been assigned to classified duty, in contravention of the civil-service rules.

In many cases the correspondence commenced with the postmaster, but ended between the Commission and your Department. Letters from the postmaster show that many of the appointments that were questioned were made by direction of the Department and that replies to the Commission's communications were withheld by the postmaster until the Department could be consulted. The files for the period mentioned, including 1897, do not show that there has been friction or disagreement between the postmasters at Washington and the Commission. Whatever controversies arose resolved themselves into issues between the Department and the Commission. The most important cases of this character were briefed and printed in the fifteenth and sixteenth annual reports and are noted here for your convenience.

Washington, D. C., post-office. File 593 S.

#### ASSIGNMENT OF LABORERS TO CLASSIFIED DUTY.

The assignment of persons employed as unclassified laborers in the Washington post-office to duty on apparently classified work in that post-office, or by detail to

the Post-Office Department, occasioned correspondence with the Department and the postmaster during the period from December, 1897, to July, 1898.

Some time in December, 1897, the Commission received information that Grace H. Semmes, who was appointed to an unclassified laborer position in the Washington post-office on November 3, 1897, had been detailed to duty in the Post-Office Department, and on December 24 the attention of the Department was called to the matter by the Commission. Later, on February 9, 1898, the Commission made inquiry concerning the detail of Clara R. Goodwin to the Post-Office Department under similar conditions, and again on March 21, 1898, concerning the detail to the Department of Genevieve McNeely. In these inquiries the Department was requested to state specifically the duties these employees were required to perform, but it failed to respond, after repeated inquiries, until April 6, 1898, when the following communication was transmitted to the Commission:

"I beg to acknowledge receipt of your letters of the 18th and 21st ultimo relative to the detail of the following laborers from the Washington City post-office to the Post-Office Department, namely, Genevieve McNeely, R. W. D. Dorsey, Virgie Q. Brown, Grace H. Semmes, and Clara R. Goodwin, and in reply to advise you that the said persons are now reassigned to duty in the Washington post-office."

This communication was signed by the Acting First Assistant Postmaster-General, and while it notified the Commission impliedly that if these details were in violation of the civil-service rules the matter had been remedied so far as the Department was concerned, yet it failed to give or even refer to the information requested by the Commission concerning the duties performed by the employees in question.

The report of changes in the Washington post-office for the month of March, 1898, seemed to indicate irregularity in the reassignment of these laborers, and on April 19 the Commission communicated with the postmaster, stating that his report showed that Fannie R. Wynans, Fannie J. Jeffreys, and Virgie Q. Brown were engaged "in delivery division, preparing slips on the work of the Quadrennial Directory," which the Commission was informed was work of a classified character. It added:

"If the services of additional persons are needed in the preparation of the Quadrennial Directory they should be appointed from the substitute-clerk list, or, if there are no substitutes upon such list, by direct appointment from the register of eligibles."

The postmaster failed to reply to this communication, and on May 13 the Commission wrote to him requesting a reply. In the meantime the Commission learned from the report of changes in the post-office that James W. Payne and R. W. D. Dorsey were on detailed duty in the Post-Office Department. Inquiry was made concerning the matter, the Department having reported on April 6 that Mr. Dorsey had been returned to the post-office. This inquiry was repeated on May 13, but the Department failed to respond.

On May 18, 1898, the Commission received the following letter from the postmaster:

"In answer to your two letters of the 13th instant, in which you request a reply to your communications of April 13 and 19, requesting the status of Genevieve McNeely, R. W. D. Dorsey, Virgie Q. Brown, Grace A. Semmes, Clara R. Goodwin, Fannie R. Winans, and Fannie J. Jeffrey, I have the honor to inform you that Fannie R. Winans, Fannie J. Jeffrey, Virgie Q. Brown, and Clara R. Goodwin are engaged on the work of preparing the quadrennial directory of the Washington City post-office. They are cutting and pasting paper. They do not write or perform clerical work. Their employment is only temporary and their work is nearly completed.

"Genevieve McNeely, R. W. D. Dorsey, and Grace H. Semmes were detailed to the Post-Office Department by authority of the First Assistant Postmaster General.

"I have only been enabled to-day to present the subject-matter of your communications to the First Assistant Postmaster-General, at whose request my reply to you has been withheld until now."

The reports from the Department and the post-office for June, 1898, showed that these persons had finally been dropped from the rolls.

#### REMOVAL OF J. G. ELAM. FILE 595 S.

The report of changes in the service from the Washington, D. C., post-office for the month of March showed the removal of one J. G. Elam by order of the Postmaster-General upon charges preferred against him by the postmaster for failure



to pay substitute carriers for services performed in his stead. In response to a request for further information, the postmaster forwarded on May 28, 1898, copies of correspondence between his office and the Department, among which was a copy of the Department's order for the removal, dated April 17, 1898, which read as follows:

"The defense of Letter Carrier J. G. Elam has been received. Inasmuch as he has failed to disprove the charges preferred against him, I have decided to remove him from the service. His name has therefore been stricken from the rolls of this office, and you are hereby authorized to nominate his successor."

In explanation of the charge of failure to pay substitute letter carriers for service performed in his stead the postmaster stated that Elam drew his half month's pay on the 15th of the month and did not report for duty for two days thereafter, claiming that his absence was due to a fall from a carriage, but that it was the postmaster's belief that his absence was due partly to other causes, which reflected upon his character, conduct, and capacity as a letter carrier, he having been suspended a short time previous thereto for the same cause.

In the report of changes in the service for May the postmaster reported Elam as reinstated, his reinstatement to date from April 1, "by order of the Postmaster-General." Upon receipt of this report the Commission wrote the Department as follows:

"A report of change in the service has been received from the postmaster at Washington, D. C., which shows the reinstatement of J. G. Elam to the position of carrier in that office. It does not appear that any certificate has been issued for this reinstatement. The records of this office show that Mr. Elam was removed on March 31 upon charges preferred against him by the postmaster of failure to pay substitute carriers for services performed in his stead. It does not appear that Mr. Elam is entitled to reinstatement under the rules."

In its reply, dated June 22, the Department stated:

"I beg to inform the Commission that Mr. Elam was not removed; therefore he could not have been reinstated. He was simply suspended until the 16th day of May. The reports of this office, from which your records should be made up, do not show Mr. Elam's removal. Had the postmaster's report for March been properly checked with the reports made by this Department, his report would not have been approved by your Commission as correct."

On June 30 the Commission replied to the Department's letter of June 22, 1898, as follows:

"The Commission is in receipt of the Department's letter of June 22, relative to the report received from the postmaster at Washington, D. C., showing the reinstatement of J. G. Elam to the position of carrier in that office without certification by this Commission, as required by the civil-service rules.

"In response you are informed that the postmaster's report of changes in the service for the month of April contained a notation showing the removal of J. G. Elam 'by order of the Postmaster-General.' The report was returned to the postmaster for information respecting the charges filed against Mr. Elam. Among the papers submitted by the postmaster in answer to the Commission's request was a copy of the Department's letter of April 17, 1898, which reads as follows:

"The defense of letter carrier J. G. Elam has been received. Inasmuch as he has failed to disprove the charges preferred against him I have decided to remove him from the service. His name has therefore been stricken from the rolls of this office, and you are hereby authorized to nominate his successor."

It appears from the postmaster's report that he carried out the Department's instructions of April 17, 1898, by removing Mr. Elam, and that he nominated the senior substitute for promotion to the regular force, vice Elam, removed. The Department's letter of April 17, 1898, followed by the action of the postmaster, completed Mr. Elam's removal from the service, and he could, therefore, only properly be reinstated under the conditions prescribed by the civil-service rules. The Commission must therefore request that the proper steps be taken for the reinstatement.

No reply has been received to this communication, although specific requests for a reply were made to the Postmaster-General on July 18 and August 15, 1898.

The postmaster's report for February, 1899, shows that Mr. Elam was again removed on February 15, 1899, by reason of misconduct.

Washington, D. C., post-office. File 5679 S.

The report of changes (required by Civil Service Rule XII to be furnished the Commission) in the personnel of the force employed in the post-office at Wash-

ington, D. C., during the month of December, 1898, showed the appointment of Margaret S. Burke and Gilmer Colson as laborers. An order of the President, dated June 10, 1896 (now Civil Service Rule XIII), requires that no person appointed as a laborer, without examination under the civil service rules, shall be assigned to work of the same grade as that performed by classified employees. As the report furnished by the postmaster did not state the duties performed by Miss Burke and Mr. Colson, the Commission wrote to the postmaster requesting this information. Reply was made on March 14, 1899, that these persons "were appointed by the authority of the honorable First Assistant Postmaster-General," and that "Margaret S. Burke and Gilmer Colson were detailed by the same authority for service in the Post-Office Department." Upon receipt of this letter the Commission wrote to the Postmaster-General requesting the same information it had asked of the postmaster. On March 31 the following reply was received from the First Assistant Postmaster-General:

"Replying to your favor of the 29th instant, addressed to the Postmaster-General, relative to the appointments of Miss Margaret S. Burke, Gilmer Colson, and Caleb Cleveland, as laborers in the Washington City post-office, 'two of whom,' you state, 'Miss Margaret S. Burke and Gilmer Colson, are detailed for service in the Post-Office Department,' may I inquire of you the source of your information?"

"Neither Miss Burke nor Mr. Colson is detailed for service in the Post-Office Department, nor is either performing any service therein in any capacity whatever; nor am I able to ascertain that either has been in the Post-Office Department on any mission whatever under several months."

The Commission made reply on April 3, 1899, inclosing a copy of the letter it had received from the Washington postmaster, in which was set forth the appointments of Miss Burke and Mr. Colson and their detail to the Post-Office Department, and reiterating its request for information concerning the duties of these two persons. On April 17 the same request was repeated. The Acting First Assistant Postmaster-General, on April 21, made reply as follows:

"Referring to your letter of the 17th instant, file 5679 R. L., relative to the appointments of Miss Margaret S. Burke and Gilmer Colson as laborers in the Washington City post-office, I have the honor to advise you that Miss Burke was ordered dropped from the rolls of the Washington, D. C., post-office, and that Gilmer Colson was temporarily assigned to work as a coal passer in this Department, in exchange for a more experienced man, who was assigned to the new city post-office building, pending an appropriation by the Congress of the United States."

"Mr. Colson performs nothing but ordinary labor."

Upon inquiry of the postmaster at Washington, the Commission was informed that Miss Burke was separated from the service on April 8, 1899.

It appears from the records of the Commission that there are three positions in the Washington post-office that are treated as excepted from the requirements of examination. The designations of these positions and the names of the persons occupying them are as follows:

Assistant postmaster, Madison Davis; appointed July 1, 1899.

Cashier, H. A. Merritt; appointed October 1, 1902.

Finance clerk, Charles H. Smith; appointed April 1, 1899.

The records also show the appointments of the following-named persons to excepted positions since 1897:

Cashier, Howard A. Cutler; appointed July 18, 1899; resigned September 30, 1902.

Physician and clerk, Charles H. James, jr.; appointed August 1, 1899; position abolished November 30, 1902.

In submitting the list of unclassified employees, the Commission has decided to include all appointments made to positions so treated since March 1, 1897, irrespective of the present status of the persons so reported or of the present roster of employees. The table shows that many of the persons thus appointed were subsequently dropped from the service. It is believed that some of them reentered the service (but not in the Washington post-office unless through examination) in positions coming under the Department proper, such as the so-called laborer positions and positions in the rural free-delivery serv-

ice before that service was classified by Presidential order. Others seem to have drifted to smaller post-offices, where they were classified by the establishment of the free-delivery service, and subsequently transferred to other positions.

Attention is called to what is said under the heading "Appointments to post-offices of nonresidents before classification, followed by their transfer to classified positions after classification," at page 388 of the Fifteenth Report of the Commission in regard to the practice that grew up of making appointments in post-offices about to be classified, for the purpose of subsequent transfer, in evasion of certain requirements of the civil-service rules. Lists of persons thus appointed and transferred will be found commencing at page 511 of the Sixteenth Report and page 574 of the Seventeenth Report, under the heading, "Post-Office Department—Transfer to other branches of the service of persons appointed in post-offices just prior to classification," commencing at page 291. This discussion closes with an expression of gratification over the fact that this method of inducting persons into the classified service had practically ceased.

Further restriction was placed upon such transfers by the amendment made to Rule X on December 11, 1901, prohibiting transfers of persons who had not actually served for six months in the offices in which they became classified, and by an arrangement with your Department in October, 1902, under which it was agreed not to transfer persons thus brought into the classified service until they had passed the examination required for the positions to which transfers were made.

On June 10, 1896, the President issued the following order in regard to the appointments and employments of laborers and workmen:

Hereafter no person who is appointed as a laborer or workman without examination under the civil-service rules shall be assigned to work of the same grade as that performed by classified employees.

This order was made a part of civil-service Rule XIII in the amendments to the rules that were promulgated by the President on May 29, 1899.

Before checking the reports of appointments to laborer and other similar unclassified positions, the Commission has required some kind of a supplementary statement to show that they were made in good faith and not in contravention of the order and rule above referred to, which prohibit appointments without examination to such positions when assignment is to be made to duty performed by classified employees. The position of the Commission in such cases is shown quite clearly in the attached copy (marked "Exhibit B") of a letter to the Washington postmaster, dated April 19, 1898, in regard to the cases of Fannie R. Wynans, Fannie J. Jeffrey, and Virgie Q. Brown.

In the table submitted there is shown, in the column headed "Statement made by Washington post-office or Post-Office Department upon which appointment was treated as unclassified and passed," the information that was furnished the Commission in regard to the duties to which the persons were assigned. It was upon information thus furnished that the Commission permitted the appointments to stand or made them the subject of correspondence with the postmaster or the Department, with a view to obtaining an understanding in regard to their status. The personal integrity or official fidelity of the officers who submitted these statements was never questioned. On their face they would seem to refute the charge alleged to have been made by

Mr. Tulloch that such appointments were passed irrespective of the duties performed. But, as stated in its letter of May 1, 1903, in regard to the cases of Misses Loud, Bartel, Goodfellow, Paulding, and Jones, it would seem that either the Commission was misled in approving the appointments of some of these persons to unclassified positions by the statements made by the postmasters at Washington or the Department, or that the rule which required all essential changes of duties to be reported was not complied with at the time the persons were assigned to work of the same grade as that performed by classified employees.

This office is not advised of the hours of duty required of employees in the Government service, or "whether any duties are performed," and hence it is not in a position to answer this charge. The matter is one which relates to the internal administration of the service and is entirely outside the Commission's jurisdiction.

Cleaners, charwomen, and laborers have always been treated as unclassified employees when the statements supplementing the reports of appointments indicated that the persons were not employed upon classified duty. Janitors in the post-office service were formerly treated as unclassified, although under an agreement with your Department, made about two years ago, employees performing janitor duty are now designated as laborers and treated as unclassified unless assigned to classified duty.

With reference to the charge that "John E. Jones, a newspaper reporter, was carried for many months as physician to the Washington City post-office at \$1,700 a year," the Commission has to state that, in response to your Department's request of September 3, 1898, it approved—and your Department was so notified in letter of September 14, 1898—the temporary appointment of Doctor Jones as physician at \$1,700 per annum for a period not to exceed three months. By letter of December 28, 1898, the Commission, in response to your request of December 1, 1898, approved an extension (period not indicated) of this appointment pending consideration of the question of the exception of this position. The Commission's authorization of this temporary service was based upon representations made, in writing, by your Department to the effect that the service was experimental. In connection with a similar appointment at New York City, the Postmaster-General, in a letter dated August 9, 1898, said:

The position referred to will probably be one of a combined nature, medical and clerical, and being purely experimental, I can not at this time inform you of the exact duties or the character of the examination you should direct for same. It is the Department's intention, however, to have the appointee devote the major portion of his time as a physician, and it is simply desired to test the matter, with a view to making similar appointments at the fifteen larger offices, if warranted by the results.

In a letter dated September 3, 1898, advising the Commission of Doctor Jones's appointment, the First Assistant Postmaster-General said:

I have this day authorized the postmaster at Washington, D. C., to appoint Dr. J. E. Jones as a physician in his office, with a salary at the rate of \$1,700 per annum.  
\* \* \* This is in line with my request for the temporary appointment of a physician in the New York post-office.

The position was excepted from the requirement of examination by the amendments made to the rules on May 29, 1899, by section 40 of

Rule VI, which authorized the exception of "not exceeding one clerk, who shall be regular physician, at each first-class post-office, when authorized by the Postmaster-General, to examine applicants for sick leave, and also to act as general utility clerk." Doctor Jones continued in the position until August, 1899, when he was succeeded by Charles H. James, jr. The position was abolished on November 30, 1902, as previously shown in this communication.

The Commission has no record of appointments of mechanics in the Washington post-office since 1897. Perhaps Mr. Tulloch refers to the employment, in 1894 and 1895, by the Post-Office Department, of secret agents, also called "spotters," "confidential agents," and "mechanics," who were sent over the country to investigate the carrier service. Detailed information in regard to these appointments and employments will be found in Senate Report No. 659, Fifty-fifth Congress, second session, especially in the testimony of August W. Machen, George A. Howard, and W. W. Hill.

Very respectfully,

JOHN R. PROCTER,  
*President.*

### EXHIBIT A.

*Appointments to unclassified positions in the Washington, D. C., post-office from March, 1897, to May 1, 1903.*

[This list does not include special-delivery messengers and superintendents of substations.]

Name.	Position.	Date of appointment.	Statement made by Washington post-office or Post-Office Department upon which appointment was treated as unclassified and passed.
Brown, Robt .....	Laborer .....	Apr. 29, 1897	Performs duties of laborer and does not handle the mails.
Busman, H. L. ....	do .....	July 2, 1897	Passed by "C." No duties stated.
Howard, Emily B. <sup>a</sup> .....	do .....	Aug. 28, 1897	Irregular. Removed June 30, 1898.
Moodie, Mary F. <sup>a</sup> .....	do .....	Oct. 20, 1897	Do.
Anderson, Minna <sup>a</sup> .....	do .....	Oct. 28, 1897	Do.
Ramsdell, H. W. ....	do .....	Nov. 1, 1897	Does not handle any mail.
Jones, Geo. W. ....	do .....	Nov. 11, 1897	Do.
Smith, Oliver H. ....	do .....	Nov. 23, 1897	Do.
Sommes, Grace H. <sup>a</sup> .....	do .....	Nov. 3, 1897	Irregular. Assigned to duty in Post-Office Department. Removed June 30, 1898.
McNeely, Genevieve <sup>a</sup> .....	do .....	Dec. 23, 1897	Do.
Goodwin, Clara R. <sup>a</sup> .....	do .....	Jan. 1, 1898	Do.
Lanahan, Ella F. <sup>a</sup> .....	do .....	Feb. 10, 1898	Do.
Winans, Fannie R. <sup>a</sup> .....	do .....	Mar. 11, 1898	Irregular. Engaged in delivery division preparing slips for the Quadrennial Directory.
Jeffrey, Fannie L. <sup>a</sup> .....	do .....	Mar. 14, 1898	Do.
Payne, Jas. W. ....	do .....	Mar. 26, 1898	Irregular. Assigned to duty in Post-Office Department. Removed June 30, 1898.
Dorsey, R. W. B. ....	do .....	Mar. 3, 1898	Do.
Brown, Virgie W. <sup>a</sup> .....	do .....	do .....	Irregular. Engaged in delivery division preparing slips for the Quadrennial Directory.
ones, Emma. <sup>a</sup> .....	do .....	May 6, 1898	Irregular. Appointed by authority of honorable First Assistant Postmaster-General.
Fisher, Geo. L. ....	do .....	May 19, 1898	Do.
Riedel, Clara A. <sup>a</sup> .....	Clerk, \$900 .....	May 14, 1898	Irregular. Detailed to Post-Office Department as translator.

<sup>a</sup> Removed June 30, 1898.

*Appointments to unclassified positions in the Washington, D. C., post-office from March, 1897, to May 1, 1903—Continued.*

Name.	Position.	Date of appointment.	Statement made by Washington post-office or Post-Office Department upon which appointment was treated as unclassified and passed.
Beall, Mamie <sup>a</sup>	Laborer	June 2, 1898	Irregular.
Willott, Robt. V	do	June 21, 1898	Does not handle mail, but performs laborer's duties.
Hassenberg, W. B	do	July 15, 1898	Do.
Harris, Wm. R	do	Aug. 1, 1898	Performs duties incident to that position and does not handle mail.
Wilson, Edmund	do	Sept. 6, 1898	Performs only such duties as are incident to that position.
Kenney, E. C	do	Sept. 22, 1898	Do.
Garner, Geo. W	do	Sept. 23, 1898	Do.
Dorsey, R. W. B.	do	Oct. 25, 1898	Does not handle any mail and performs only laborer's duties.
Fisher, Jno. H.	do	Nov. 20, 1898	Does not handle any mail, but performs duties incident to position as laborer.
Burke, Margaret	do	Dec. 1, 1898	Does not handle any mail.
Colson, Gilmore	do	Dec. 6, 1898	Do.
Cleveland, Caleb	do	Dec. 10, 1898	Do.
Pilling, Jos. H	do	Jan. 5, 1899	Performs duties incident to that position, and does not handle mail.
Vaughn, Edward	do	Mar. 25, 1899	Engaged in the duties incident to that position, and does not handle mail.
Wright, R. D.	do	Apr. 1, 1899	Performs duties incident to that position, and does not handle mails.
Williams, F. H.	do	do	Do.
Baker, N. H.	do	Apr. 29, 1899	Do.
McClelland, Julian	do	Apr. 9, 1899	Do.
Perrin, Willie L.	do	June 30, 1899	Appointed in place of Edwin Heald who held position of laborer. Passed by R. A. W.
O'Keefe, Owen	do	July 5, 1899	Does not handle any mail, but performs duties incident to position of laborer.
Harris, Jas. F.	do	July 3, 1899	Do.
Hildebrand, Wm.	do	Aug. 7, 1899	Do.
Gritman, Wm.	do	Aug. 1, 1899	Do.
Bird, G. W.	do	Sept. 1, 1899	Do.
Sanner, Jas. N.	do	do	Do.
Addison, Jno.	do	do	Do.
Betts, H. W.	do	do	Do.
Maddy, Geo. L.	do	do	Do.
Prather, Jos. M.	do	do	Do.
Adler, Adolph	do	Sept. 6, 1899	Do.
Eldridge, W. T.	do	Sept. 29, 1899	Do.
Dunn, Wm. E.	do	Sept. 30, 1899	Do.
Berry, Marg. M.	do	Oct. 1, 1899	Do.
Alexander, W. T.	Janitor	do	Performs duties incident to the position of janitor.
Growther, Lizzie	do	do	Do.
Dailey, Frances.	do	do	Do.
Hood, Reverdie	do	do	Do.
Poindexter, Susie.	do	do	Do.
Whiteside, Kate E.	do	do	Do.
Jeffrey, Fannie	Laborer	do	Performs duties incident to the position of laborer.
Melville, Eliza	do	do	Do.
Nevitt, Laura E.	do	do	Do.
McTiggan, Jas.	do	Dec. 1, 1899	Do.
Guyton, Lizzie	do	Dec. 12, 1899	Do.
Brooks, T. S.	do	Dec. 14, 1899	Do.
Manly, A. L.	do	Dec. 21, 1899	Do.
Gray, Geo.	do	Oct. 1, 1899	General roustabout, cleaning building, sidewalks, etc.
McNulty, C. E.	do	do	Do.
Miller, Chas. C.	do	Oct. 4, 1899	Do.
Ball, N. E.	do	Oct. 11, 1899	Do.
Blais, Jas. E.	do	do	Do.
Cox, Richard H.	do	do	Do.
Hensley, R. E.	do	do	Do.
Leary, A. A.	do	Oct. 18, 1899	Do.
Johnstone, B. B.	do	Oct. 18, 1899	Do.
Floyd, Geo. W.	do	Oct. 20, 1899	Do.
Mercer, Thos. C.	do	Oct. 27, 1899	Do.
Jones, J. W.	do	Nov. 5, 1899	Performs duties incident to the position of laborer and does not handle any mail.
Broderick, Marg.	do	Nov. 13, 1899	Do.
Clokey, Saml. W.	do	Nov. 16, 1899	Do.

<sup>a</sup> Removed June 30, 1898.

*Appointments to unclassified positions in the Washington, D. C., post-office from March, 1897, to May 1, 1903—Continued.*

Name.	Position.	Date of appointment.	Statement made by Washington post-office or Post-Office Department upon which appointment was treated as unclassified and passed.
Maney, Mary .....	Laborer .....	Nov. 18, 1899	Performs duties incident to the position of laborer and does not handle any mail.
Oliver, W. T .....	do .....	Jan. 1, 1900	General laboring work, handling heavy boxes, and light laboring work.
Evans, R. R .....	do .....	Jan. 4, 1900	Do.
Holmes, Lena .....	do .....	Jan. 11, 1900	Do.
Klinger, Ossie .....	do .....	Jan. 19, 1900	Do.
Mosher, Mary L .....	do .....	do .....	Do.
Myers, John P .....	do .....	Jan. 16, 1900	Do.
Willett, H. V .....	do .....	Feb. 2, 1900	Do.
Pike, Chas. A .....	do .....	Feb. 1, 1900	Do.
Lyvers, Paris .....	do .....	Feb. 16, 1900	Do.
Evans, Roland .....	do .....	Feb. 1, 1900	Do.
Crouse, Walter .....	do .....	Feb. 3, 1900	Do.
Carpenter, Lue P .....	do .....	Feb. 21, 1900	Do.
Kavens, Harry M .....	do .....	Mar. 27, 1900	Cleaning, arranging papers, and other general work incident to position as laborer.
Peters, Chas. S .....	do .....	Mar. 20, 1900	Do.
Smith, Mrs. S. L .....	do .....	Apr. 1, 1900	Duties of charwoman.
Beall, Mamie .....	do .....	Apr. 13, 1900	Do.
Gregory, H. E .....	do .....	May 1, 1900	Handles no mail; cleaning and polishing about office.
Burwell, H. D .....	do .....	June 1, 1900	Handles no mail; cleaning, removing trash, etc.
Curry, J. C .....	do .....	do .....	Do.
Schoirer, Alex. C .....	do .....	June 14, 1900	Do.
Roberts, Roy R .....	do .....	June 22, 1900	Do.
Fuller, Lyman .....	do .....	July 2, 1900	Does no clerical work, but performs laboring work, cleaning, etc.
Hart, Frederick .....	do .....	July 1, 1900	No duties stated.
Dimmick, Theresa .....	do .....	July 2, 1900	Does no clerical work, but performs laboring work, cleaning, etc.
Rowe, Jas. B .....	do .....	July 18, 1900	Do.
Jony, A .....	do .....	Aug. 15, 1900	Handles no mail, but performs duties incident to position of laborer.
Homilles, Maurice .....	do .....	Aug. 16, 1900	Do.
Vaughan, E. A .....	do .....	Oct. 1, 1900	Transferred from Cincinnati, Ohio. Duties not stated. Passed by Miss Waddell.
Stokes, John A .....	do .....	Nov. 1, 1900	Handles no mail, but performs duties incident to position of laborer.
Ellis, Isabelle .....	do .....	Nov. 19, 1900	Do.
Flaming, Lomax T .....	Janitor .....	Oct. 28, 1900	Do.
Farmelles, J. H .....	Laborer .....	Dec. 6, 1900	Do.
Adams, Minnie P .....	do .....	Dec. 7, 1900	Do.
Carpenter, Essey P .....	do .....	Jan. 8, 1901	Do.
Cox, Thos. A .....	do .....	Jan. 18, 1901	Do.
See, Dallas M .....	do .....	Feb. 18, 1901	General roustabout work.
Elliott, Mary .....	do .....	Mar. 1, 1901	Performs no clerical work, but performs work incident to position of laborer.
Eisenmayer, H. A .....	do .....	Apr. 1, 1901	Do.
Rouse, Philip P .....	do .....	May 21, 1901	Do.
Colbert, Wm .....	do .....	July 1, 1901	Handles no mail, but performs duties incident to position of laborer.
Blackwood, W. R .....	do .....	do .....	Do.
Kinney, Jay .....	do .....	Sept. 13, 1901	Do.
Terry, C. D .....	do .....	Sept. 26, 1901	Do.
Munnerlyn, Jos. A .....	do .....	Oct. 16, 1901	Do.
Thomas, H. W .....	do .....	Nov. 15, 1901	Do.
Bundy, M. J .....	do .....	Oct. 1, 1901	Do.
Long, Lena M .....	do .....	Jan. 18, 1902	Do.
Lee, Danl. J .....	do .....	Jan. 21, 1902	Do.
Gibson, Jno. E .....	do .....	Feb. 18, 1902	Do.
Chase, Jno. R .....	do .....	Feb. 25, 1902	Do.
Gilmore, Freddie .....	do .....	do .....	Do.
Minor, Jas. S .....	do .....	Apr. 11, 1902	Do.
Loud, G. S .....	do .....	May 16, 1902	Do.
Williamson, T. B .....	do .....	May 21, 1902	Do.
Beatty, Bruce H .....	do .....	July 5, 1902	Do.
Bristow, E. M .....	do .....	July 16, 1902	Do.
Mack, Thos .....	do .....	July 22, 1902	Handles no mail but performs duties incident to position of laborer.
Bartle, Missouri .....	do .....	June 9, 1902	Do.
Goodfellow, Louise .....	do .....	June 23, 1902	Do.

*Appointments to unclassified positions in the Washington, D. C., post-office from March, 1897, to May 1, 1903—Continued.*

Name.	Position.	Date of appointment.	Statement made by Washington post-office or Post-Office Department upon which appointment was treated as unclassified and passed.
Barnes, W. H. ....	Laborer .....	Dec. 16, 1902	<p>Passed upon the statement contained in Department's letters of Feb. 4, 1903, as follows:</p> <p>"All laborers authorized by the Department for service in post-offices are authorized to perform manual labor only, and if any of such persons are used for any other purpose by postmasters, it is done without the knowledge or consent of the Department. * * *</p> <p>"Whenever such a position is authorized the postmaster is specially instructed that such laborer can not be used to perform classified work of any kind.</p> <p>"If a postmaster should employ a laborer upon work of a classified nature, and the matter should be brought to the attention of this Department, it would take steps to have the practice discontinued, and if upon investigation it appeared that there is not a sufficient amount of laborer's work in that post-office to keep the laborer employed * * * the Department would direct his immediate removal from the service."</p>
Beall, Amos B. ....	do. ....	Dec. 26, 1902	
Beatty, Bruce H. ....	do. ....	Oct. 13, 1902	
Colson, Gilmer. ....	do. ....	Feb. 22, 1903	
Davis, Andrew A. ....	do. ....	Sept. 15, 1902	
Garvey, Jas. J. ....	do. ....	Feb. 23, 1903	
Gath, Geo., jr. ....	do. ....	Sept. 9, 1902	
Haislip, May L. ....	do. ....	Dec. 1, 1902	
Johnson, Jere R. ....	do. ....	Feb. 12, 1903	
Jones, Emma V. ....	do. ....	Feb. 13, 1903	
Long, Lena M. ....	do. ....	Jan. 18, 1902	
Mack, Thos. ....	do. ....	July 22, 1902	
Mathers, Jno. C. ....	do. ....	Sept. 4, 1902	
Spaulding, Holmes O. ....	do. ....	Nov. 1, 1902	

Total number, 154.

# EXHIBIT B.

APRIL 19, 1898.

The POSTMASTER, *Washington, D. C.*

SIR: Referring to the notation in your report of changes in the service for the month of March, which shows that Fannie R. Wynans, Fannie J. Jeffery, and Virgie Q. Brown, who were recently appointed without examination and certification to laborer positions in your office, are now engaged in the delivery division preparing slips on the work of the quadrennial directory, the Commission invites your attention to the circular letter of the Post-Office Department, dated June 9, 1896, which provides that no person shall be admitted into any place not excepted from examination by the civil-service rules until he shall have passed an appropriate examination prepared by the United States Civil Service Commission and his eligibility has been certified to the Department by the Commission.

The object of the Executive order of June 10, 1896, in regard to laborers and workmen was to prohibit the assignment hereafter of unclassified laborers or workmen to work of the same grade as that performed by classified employees, and to require all vacancies of classified laborers or workmen to be filled in accordance with the civil-service rules, through examination and certification by the Commission. This Executive order originated from the well-known fact that many employees borne on the rolls as laborers or workmen were performing clerical, watchmen, messenger, or other work of a classified character. In this way an unclassified service, composed of employees engaged upon classified work, had been rapidly developing in evasion of the civil-service law and rules. The Executive order referred to was



issued for the purpose of correcting this evil and preventing further evasion of the law and rules.

The interpretation and application of the order of June 10, 1896, depends chiefly upon the definition of the phrases "mere laborer or workman" and "regularly assigned." The phrase "mere laborer or workman," as used in the civil-service law and rules, was defined by the various Executive orders bringing into the classified service by designation almost every form of skilled labor and leaving nothing outside except the merest unskilled manual labor. The Executive order recognized this fact and directed that persons performing any duty pertaining to the classified places shall be classified. By the phrase "regularly assigned" in the order, the Commission understands that a laborer is classified if the work upon which he is regularly employed includes work of a classified character, but if his regular assignment does not include classified work he is unclassified, even though in exceptional cases he may be called upon to assist in the performance of work of a classified character.

Your report shows that Fannie R. Wynans, Fannie J. Jeffery, and Virgie Q. Brown are engaged entirely upon work of a classified character. Their appointments seem to be a direct evasion of the Executive orders of May 6 and June 10, 1896, and a subversion of the spirit and letter of the civil-service act and rules. The Commission requests that they be separated from the service, and if the services of additional persons are needed in the preparation of the quadrennial directory they be appointed from the substitute-clerk list of your office, or, if there are no substitutes upon such list, by direct appointment from the register of the eligibles for your office. The persons who have taken examination with a view to appointment in the Washington post-office did so with the expectation of receiving appointments whenever vacancies might occur. The Commission is bound to insist upon their rights to appointment and can not countenance the several appointments that have been made in contravention of the act and rules.

Please advise the Commission of the action taken.

Very respectfully,

JOHN R. PROCTER, *President.*

*Letter of the Postmaster-General, May 16, 1903, to F. A. Vanderlip,  
and Mr. Vanderlip's reply, May 18, 1903.*

MAY 16, 1903.

Hon. F. A. VANDERLIP,  
52 Wall street, New York, N. Y.

MY DEAR SIR: Statements have been made in the public press that Mr. Thomas W. Gilmer, an accountant formerly employed in the office of the Comptroller of the Treasury, was transferred from that office and reduced on the demand of politicians and other interested parties. As the matter has some bearing upon the investigation now progressing in this Department, I should be pleased if you will give me a statement as to the reason for your action in transferring and reducing Mr. Gilmer.

Respectfully,

H. C. PAYNE,  
Postmaster-General.

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CONGRESS HOTEL COMPANY,  
AUDITORIUM HOTEL AND ANNEX,  
Chicago, Ill., May 18, 1903.

Hon. H. C. PAYNE,  
Postmaster-General, Washington, D. C.

MY DEAR SIR: I am just in receipt of your letter of the 16th instant, in which you say that statements have been made in the public press that Mr. Thomas W. Gilmer, an accountant formerly employed in the office of the Comptroller of the Treasury, was transferred from that office and reduced on the demand of politicians and other interested parties.

As the matter has some bearing upon the investigation now progressing in the Post-Office Department, you asked me to give you a statement as to the reasons for my action in transferring and reducing Mr. Gilmer.

My best recollection is that Mr. Gilmer was transferred and reduced at his own request. I had previously detailed him, however, from the position of law expert in the office of the Comptroller and assigned him to duty as a clerk in the office of the Auditor for the State and other Departments, where he had previously served. My reasons for thus detailing him were the result of much complaint from various sources as to his annoying methods of conducting examinations ordered by the Comptroller. He was reported to me to be insolent, and would insist upon withdrawing papers from the files without leaving receipt therefor. Mr. Lawshe, at that time Deputy Auditor for the Post-Office Department and now Auditor for the Philippines, made such complaint. The Department of Justice did likewise.

Mr. Gilmer possessed some very excellent qualifications as a clerk and accountant, but was tactless and not temperamentally fit for the position of law expert and examiner. Looking back at the matter now, I think he so realized himself and based a request for transfer upon that ground.

Very truly, yours,

F. A. VANDERLIP.

S. Doc. 151—17

*Letter of the Postmaster-General, May 19, 1903, to Robert J. Tracewell, Comptroller of the Treasury, and Mr. Tracewell's reply, May 22, 1903.*

MAY 19, 1903.

HON. ROBERT J. TRACEWELL,  
*Comptroller of the Treasury.*

SIR: I inclose herewith extracts from a communication, dated May 15, 1903, from Mr. Seymour W. Tulloch, wherein he makes certain statements concerning the audit of certain accounts of this Department during the year 1899 and certain statements calculated to bring discredit upon the office of the Auditor of the Treasury for the Post-Office Department and the office of the Comptroller of the Treasury.

I deem it for the public interest that the facts in connection with the matters about which Mr. Tulloch has written should be fully set forth and full explanation made regarding them. I would therefore be obliged if you would make such a statement concerning the matters referred to as will throw any light upon this subject and enable us to determine whether any wrongdoing transpired in connection with these accounts; and if so, what.

Respectfully, yours,

H. C. PAYNE,  
*Postmaster-General.*

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WASHINGTON, May 22, 1903.

The Honorable The POSTMASTER-GENERAL.

SIR: I am in receipt of your communication, dated the 19th instant, in which you say:

I inclose herewith extracts from a communication, dated May 15, 1903, from Mr. Seymour W. Tulloch, wherein he makes certain statements concerning the audit of certain accounts of this Department during the year 1899, and certain statements calculated to bring discredit upon the office of the Auditor of the Treasury for the Post-Office Department and the office of the Comptroller of the Treasury.

I deem it for the public interest that the facts in connection with this matter about which Mr. Tulloch has written should be fully set forth and full explanations made regarding them. I would therefore be obliged if you would make such a statement concerning the matters referred to as will throw any light upon this subject and enable us to determine whether any wrongdoing transpired in connection with these accounts; and if so, what.

Mr. Tulloch says:

The result of this call of Mr. Gilmer was a letter from the Comptroller disallowing, as I remember, between \$30,000 and \$40,000 for the quarter in question, known as Revision No. 2824, P. M. G., April 28, 1898.

The letter referred to was not a disallowance, and this Mr. Tulloch well knows. It was a letter of inquiry. It required the postmaster at Washington, in some instances, to explain and make more specific the nature of certain services, but generally it called for explanation

why certain claims had been paid from one fund instead of another. In other words, it related to seeming irregularities.

To this letter the postmaster made a detailed reply, as is usual under such circumstances, and thereupon all the items were allowed except about \$930. Mr. Tulloch himself, who had actually paid the money, admits that he prepared the reply, caused it to be typewritten, and sent to me. Relying upon these explanations, I allowed all the claims except about \$930, and Tulloch does not now claim, as I understand him, that I allowed any claim that should not have been allowed upon the explanations which he made.

Again, he says:

Some time later I called upon him and informed him I had been removed from my position as cashier for supposed assistance given his own expert during the investigation.

This statement is untrue. I never spoke to Mr. Tulloch in my life, and he never spoke to me. Upon inquiry I have learned that he came to my office and stated to my chief law clerk, Judge Terrill, in effect, that he had been accused of giving Mr. Gilmer information. This he said he wanted to deny; he had given Mr. Gilmer no information whatever. Judge Terrill did not introduce him to me, and he did not speak to me. I did not know him, nor did I inquire his name or his errand.

But what Mr. Tulloch lays greatest stress upon is a letter to Mr. Gilmer, as follows:

TREASURY DEPARTMENT,  
OFFICE OF THE COMPTROLLER OF THE TREASURY,  
*Washington, D. C., September 19, 1899.*

MR. GILMER: You may take up for examination any postmaster's account for the fiscal year 1899, except New York City and Washington, D. C.

R. J. TRACEWELL,  
*Comptroller.*

The impression sought to be created by publishing this letter is that I called off my expert when he was on the eve of discovering grave frauds. This letter is in Mr. Gilmer's own handwriting. He prepared it without suggestion from me, and asked me to sign it.

I have four experts furnished by the Government with which to investigate, on my own motion, the accounts passed in the offices of all six auditors, employing an auditing force of over 1,000 clerks. I give these experts the greatest latitude. Mr. Gilmer has instructions to give his time and attention to the Auditor for the State and other Departments, except one-sixth, which he was to divide, as nearly as practicable, between the Post-Office Department and the Navy Department. The other three had similar assignments, and all gave some time to the Post-Office Department.

Mr. Gilmer had gone over the work of the Washington post-office for one whole quarter, and had spent four months thereon. No fraud was discovered. Some irregularities had been discovered and corrected, some claims had been paid from the wrong appropriation, but they had been paid and audited, and under such circumstances, when the amount is small, I do not ordinarily disallow, as it would necessitate it being covered back into the Treasury and again paid and audited from the correct fund. I do, however, correct the practice. This I did in this instance, and not even Mr. Tulloch claims to the contrary.

The post-office business of all the army camps in the United States and the island of Porto Rico was done through the Washington office;

the post-office business of Cuba was done through the New York office; the post-office business of the Philippine Islands was done through the San Francisco office, and I did not think it strange when Mr. Gilmer presented the letter excepting these offices from further examination. I knew, as did Mr. Gilmer, that the Auditor for the Post-Office Department was in daily need of the files and was objecting to their being taken away. We had several conferences in which the Auditor asked that I conduct the examination in his office. This I declined to do, believing it would be bad practice and bad precedent. Therefore the letter did not arouse my suspicion, nor did I then suppose it was obtained for improper purposes. Mr. Gilmer, however, did not have it copied in my office, and when he left he took it with him, and took with him also the original working draft of the demand upon the postmaster for explanations.

After Mr. Tulloch published his statement I discovered this abstraction and asked Mr. Gilmer about them. He brought them to my office, and when asked why he had taken them away and given them to Mr. Tulloch he broke down, and, in tears, told me he blamed me for his removal from my office. His removal was not at my instance. I even interceded for his retention in the service, though I did not ask that he be retained in my office. I knew that he was objectionable to the Department of Justice, the Post-Office Department, the Interstate Commerce Commission, the appointment division of the Treasury Department, and the Auditor's Office for the District of Columbia. I was willing to get rid of him personally, but in view of his ability as a clerk I recommended that he be retained in the service at a desk, where he could not make himself obnoxious.

And now, Mr. Postmaster-General, I beg to suggest that I am an official of the Treasury Department and am directly responsible to the Secretary of the Treasury for my official conduct. All my official acts are of record in my office, and on that record I must stand and am willing to stand; and of that record I court a full and complete investigation by the constituted authorities of the Treasury Department. Do not understand me, however, as objecting to your inquiry. It is very proper, and I am glad to furnish the information, and you are at liberty to make such use of it as you may deem proper. In view of the publications that have been made, I hope you will give it to the press.

If I can be of further assistance to you I am at your service.

Very respectfully,

R. J. TRACEWELL, *Comptroller*.

*Letter of the Postmaster-General, May 19, 1903, to John W. Griggs,  
and Mr. Griggs's reply, May 22, 1903.*

MAY 19, 1903.

MY DEAR MR. GRIGGS: Perhaps you have noticed in the newspapers that we are in the midst of an investigation into the affairs of the Post-Office Department.

Among other statements made is one to the effect that a Mr. Gilmer, who was employed in the office of the Comptroller of the Treasury, was dismissed from the service or transferred to another branch of the service to get him out of the way of discovering frauds when he was just about to unearth them.

The Comptroller of the Treasury says he was transferred to another bureau after he had concluded all the investigations that he had in hand affecting any of the Departments in Washington specifically, but that he was transferred for the reason that complaints were made against him that he would abruptly and discourteously enter the rooms of Department clerks and others, demand papers in an offensive way, and then carry them away without leaving a receipt. It was demanded that he be instructed to act like a gentleman and leave receipts for all papers which he carried out of the building, for if any were misplaced the Department clerks would be held responsible.

It is said that you asked the Comptroller personally to relieve the Attorney-General's Office of Mr. Gilmer's presence.

If you can give me any light on this subject, I would be glad if you would do so.

Respectfully, yours,

H. C. PAYNE,  
*Postmaster-General.*

Hon. JOHN W. GRIGGS,  
*27 Pine street, New York, N. Y.*

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[John W. Griggs, 27 and 29 Pine street.]

NEW YORK, *May 22, 1903.*

Hon. H. C. PAYNE,  
*Postmaster-General.*

DEAR MR. PAYNE: Your letter of the 19th instant, inquiring about Mr. Gilmer, formerly employed in the office of the Comptroller of the Treasury, is received.

I think, but I am not quite sure, that I indentify him as one of the clerks in the Comptroller's Office of whom I was forced to make complaint because of his excessive troublesomeness in raising petty and frivolous objections to the accounts of the Department of Justice.

The man I have in mind, if it was Gilmer, had manifested a very unreasonable and disagreeable prejudice against the officers of my accounting division and made himself busy in raising trivial objections on legal grounds to the accounts of my Department, so that at one time the monthly pay of about one-third of my Washington force was threatened with a hold-up, and this upon a point which had practically been disposed of for fifteen or sixteen years.

I complained to the Comptroller that it was impossible to get along if the accounts of the Department were to be subjected to malicious objections merely to gratify the personal spite of one of his subordinates, and I think it was considered for the good of the service that Mr. Gilmer should be transferred to some other position where he would not make so much unnecessary trouble. There never was any question of personal dishonesty in the matter, nor did any of the accounts of the Department of Justice which he held up involve even in his mind anything more than the most forced technical objections on language of appropriation acts, and in every instance it was my opinion, as well as the opinion of the Comptroller on subsequent examination, that his objections were not well taken.

This is the best information I can give you on the subject, and, as I said before, I am not certain that the objectionable man was Mr. Gilmer.

Very truly, yours,

JOHN W. GRIGGS.

*Letter of the Postmaster-General, May 19, 1903, to Henry A. Castle, Auditor for the Post-Office Department, and Mr. Castle's reply, May 22, 1903.*

MAY 19, 1903.

HON. HENRY A. CASTLE,  
*Auditor for the Post-Office Department.*

SIR: I inclose herewith extracts from a communication, dated May 15, 1903, from Mr. Seymour W. Tulloch, wherein he makes certain statements concerning the audit of certain accounts of this Department during the year 1899, and certain statements calculated to bring discredit upon the office of the Auditor of the Treasury for the Post-Office Department and the office of the Comptroller of the Treasury.

I deem it for the public interest that the facts in connection with the matters about which Mr. Tulloch has written should be fully set forth and full explanation made regarding them. I would therefore be obliged if you would make such a statement concerning the matters referred to as will throw any light upon this subject and enable us to determine whether any wrongdoing transpired in connection with these accounts; and if so, what.

Respectfully, yours,

H. C. PAYNE,  
*Postmaster-General.*

(The "extracts from a communication, dated May 15, 1903, from Mr. Seymour W. Tulloch," referred to herein are identical with the extracts attached to the letters of May 19, 1903, to Robert J. Tracewell.)

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TREASURY DEPARTMENT,  
AUDITOR FOR THE POST-OFFICE DEPARTMENT,  
*Washington, D. C., May 22, 1903.*

The POSTMASTER-GENERAL.

SIR: I am in receipt of your letter of the 19th instant, inclosing extracts from a communication from Seymour W. Tulloch, wherein statements are made to which you call my attention as being calculated, if true, to bring discredit upon the office over which I preside. I willingly embrace the opportunity to make reply. Although the law, by placing our Bureau under the jurisdiction of the honorable Secretary of the Treasury, makes the exercise of its functions independent of your Department, you are justly concerned with any reports that impugn its integrity.

The statements containing reflections or criticisms in regard to the Auditor's office may be epitomized as follows:

(1) That an account of Postmaster Willett, of Washington, D. C., which had previously been allowed by the Auditor (myself), was revised



by the Comptroller of the Treasury, resulting in a letter from the Comptroller "disallowing between \$30,000 and \$40,000 for the quarter in question."

(2) That salaries of certain employees of the Washington post-office were paid on separate vouchers instead of the regular pay roll.

(3) That many departmental disbursements were paid "out of the funds of the local post-office."

(4) That no effective measures were taken to collect an alleged shortage of \$3,300 from one Sherman P. Bristow.

(5) That certain employees of the Washington post-office performed no service.

I may say in advance that Mr. Tulloch shares in a prevailing misapprehension as to the functions of an auditor. He holds that official to a responsibility in keeping other officials "correct and honest" and in determining as to necessities of the service. This would be fatal to any administrative freedom by the head of a Department.

The Supreme Court of the United States stated a well-established principle of law in deciding that an accounting officer "has no power to review, revise, and alter items of expenditure and allowances made upon the judgment and discretion of other officers charged with the duty of expending the money or of making the allowances." Bearing this limitation in mind, many of the expressed and implied criticisms of the Auditor's office negative themselves at a glance.

#### THE REVISION OF POSTMASTER WILLETT'S ACCOUNT.

The most serious of the criticisms is that which relates to the settlement and subsequent revision of an account of Postmaster Willett which incidentally involved alleged irregularities in Porto Rico during our military operations.

Two appropriations were made for "military postal service," aggregating \$500,000 for the first two years. The first appropriation bill gave the Department unusual latitude, and the second used equally comprehensive language: "For postal service in the territory held by military occupation, \* \* \* including postal service for all military camps or stations, to be used in the discretion of the Postmaster-General, \$300,000."

The wide discretion thus given shows that Congress intended to exempt these disbursements from many of the ordinary regulations. Men could be employed, compensation fixed, and expenses allowed as circumstances demanded. The postal business of Cuba, Porto Rico, and the Philippines was handled through the postmasters of New York, Washington, and San Francisco. This was unusual, but perfectly legal. Every expenditure made was authorized in advance by the Department; every voucher had been approved by an Assistant Postmaster-General, and actually paid by a postmaster weeks or months before its presentation to the Auditor's office for allowance with a quarterly account. Many expenditures were unusual, and a few of them were by us held to be illegal and disallowed. As to whether the service was necessary or the compensation extravagant the Department was the sole judge. But it is significant on this point that of the \$500,000 appropriated only \$249,666.55 was actually expended in two years, the balance of more than one-half being covered back into the Treasury.

Every item believed to be illegal was disallowed by our office. The most experienced clerks in that line were assigned to these accounts,

and doubtful questions were considered by the Auditor or Acting Auditor in person.

Some months after one of the quarterly accounts of the Washington post-office reporting \$255,996.02 in expenditures for all purposes, with several thousand distinct items, had been settled, Mr. T. W. Gilmer, representing the Comptroller of the Treasury, withdrew the same for revision, as authorized by law. He was new to postal work and raised many entirely irrelevant questions in the letter of April 26, 1899, asking for "explanations," which Mr. Tulloch erroneously cites as "a letter from the Comptroller disallowing" certain amounts. He had, however, an advantage we did not have, in copious hints from Mr. Tulloch, a former cashier of the Washington post-office, as to various supposed irregularities unknown to us. The expert consumed four months in revising this account, during which period all the voluminous papers constantly needed by us were held in the Comptroller's office at the Treasury building, to our serious inconvenience.

One after another the objections were abandoned by Expert Gilmer or overruled by the Comptroller (who had secured from the officials pledges that the irregular practices exposed by Tulloch, the discharged cashier, would be discontinued) until the amount ultimately disapproved was reduced to \$932.86.

The official "certificate of differences upon revision," No. 2824, dated August 31, 1898, is now before us. It is written and initialed by T. W. Gilmer and signed by Comptroller Tracewell. Its total of \$932.86 is the sum of their tentative disallowances.

But Mr. Gilmer's letter pointed out that several of the items might legally be paid from other appropriations. The defects were cured by new vouchers, and the credits allowed. These aggregated \$481.86.

Another item, \$128 for surety bonds for postal employees detailed for duty to Porto Rico, was a legitimate expenditure but was objectionable to the Comptroller as a precedent. Under its unquestioned discretion the Department covered this charge by allowing increased compensation. This the Auditor could not prevent had he so desired.

Two items of \$158 each, "per diem as mechanics," were disallowed for irregularities revealed by Tulloch and unknown at the Auditor's office. In one case the defect was cured and the amount was again credited to the postmaster. We have no record of a subsequent credit as to the others.

One item of \$4.35 for improper charges in an expense bill of C. C. Magee, a postal clerk, was disallowed.

One item of \$2.65, a drug bill of W. S. Larnier, was disallowed as personal expense.

This accounts for the \$932.86 nominally "disallowed" in the certificate of differences. The official files, verifying this statement with minute detail, will be exhibited to you.

The two items last named, aggregating \$7, thus represent absolutely the entire disagreement between the Auditor and the Comptroller, so far as the evidence was accessible to both. It is not surprising that the Auditor's office felt vindicated by this outcome of the most searching scrutiny to which a postal account was ever subjected. The credits finally and effectively "disallowed" out of a total of \$255,996.02 were \$165, whereof only \$7 can justly be debited to the Auditor's office.

While this revision was thus barren of financial gain, it was indirectly profitable. Through Tulloch's private interviews with Gilmer irregularities were pointed out which did not appear on the face of the

papers and were unknown to the Auditor. These Comptroller Tracewell exercised the authority of his office to correct.

This is the whole story of the revision of an account wherein Mr. Tulloch alleges that the Comptroller disallowed \$30,000 or \$40,000 previously approved by the Auditor and upon which he bases an assumption that subsequent accounts would have revealed immensely larger extravagances. It saved \$165 to the Government and convicted the Auditor's office of \$7 incorrectly audited.

#### PAYMENT OF SALARIES BY VOUCHERS.

Separate vouchers for salaries are the original and proper form of receipts, the pay roll being simply a labor-saving device. In current practice these "separate vouchers" are supposed to represent clerks, carriers, etc., who are temporarily absent. The custom is universal in Government offices, and if abused in the manner Mr. Tulloch intimates, the Auditor's office would have no possible means of ascertaining the fact.

#### DISBURSEMENTS THROUGH LOCAL POST-OFFICES.

The attempt to base a criticism of the Auditor on the fact that "local funds" were improperly expended for departmental uses will fail. The funds (postal receipts) at a post-office belong to the general postal revenues. The surplus is legally subject to draft by the Postmaster-General for postal purposes. This practice was inaugurated as early as 1815. Postmasters of all money-order offices are disbursing officers, and the offices in leading cities are designated depositories of the surplus receipts of smaller offices. Even the balance found due a retiring postmaster on final settlement is paid by draft not on the United States Treasury, but on the postmaster of some large city. There is, consequently, no injustice and no irregularity in drawing on a postmaster or ordering him to make any lawful expenditure, as the whole transaction must be reported and debited to the proper appropriations on the Auditor's books.

Although not illegal, this custom sometimes violates rules of correct accounting. Hence the Auditor frequently suggests to the Department that certain expenditures should not be ordered paid by postmasters. Among these are the accounts of departmental officials for traveling expenses. But our critic unjustly reproaches the Auditor for permitting a practice which he had no power to prohibit. Mr. Heath's expense bill, to which he especially alludes, was charged to the proper appropriation and not to any allowance for the Washington post-office.

#### THE CASE OF SHERMAN P. BRISTOW.

Complaint is made of a failure to collect an alleged defalcation of Sherman P. Bristow, money-order clerk at Ponce, Porto Rico. This case can be quickly disposed of. Porto Rico was held under military occupation. The question as to whether our laws, civil or criminal, extended over it had not been determined, but the Supreme Court has since decided that they did not. The Auditor, however, has nothing to do with criminal prosecutions. Mr. Bristow gave bonds to Postmaster Willett, who, after the default occurred, was legally advised that he could not for the above reason enforce the same.

After consideration, both the Post-Office Department and this Bureau determined that it would be equally impossible to maintain an action against Postmaster Willett, as no new bond had been secured by the Department and such additional liability upon the bond of Mr. Willett and his sureties could not be created without their consent. Agreeing in the opinion that a collection of the amount at issue was impossible, the Post-Office Department and the Auditor's office united in consenting to adopt the best attainable compromise payment under section 409, Revised Statutes. The amount received was clear gain to the Treasury.

#### EMPLOYEES WHO PERFORMED NO SERVICE.

The allegation that certain employees were paid on the rolls of the Washington post-office who never performed services therein, if anywhere, seems to be made an imputation on the Auditor's methods. But no accounting officer can possibly know in each case whether service was actually performed or not. We trust to the scrutiny of departmental officials and the honesty of postmasters. The postmaster at Washington attached to his pay roll a certificate that the statement of services rendered was correct. He also made affidavit on his quarterly account "that the credits claimed in the said accounts are just and true, as I verily believe." This affidavit has been deemed sufficient, and it is hard to believe that it could be misinterpreted.

#### ADDITIONAL SUGGESTIONS.

I see no other points in the extracts transmitted to me which reflect on the Auditor's office to an extent requiring detailed notice. As to Gilmer's personal controversies with Mr. Lawshe, then deputy auditor, I know nothing. Mr. Tulloch's allegations that one serious charge against Gilmer was that he entered Deputy Auditor Lawshe's room with his hat on is a palpable absurdity.

If further details as to these matters are desired at any time, they will be promptly supplied from our official files. Upon the correctness of the settlements there preserved the efficiency of the Auditor and his staff of trusted employees must be fairly sustained or fatally impeached. I have no power or desire to change that record.

As the accusations herein traversed have been given wide publicity, I respectfully suggest that this reply be released for early publication.

Respectfully,

HENRY A. CASTLE, *Auditor.*

*Letters of the Postmaster-General, May 19 and 20, 1903, to Perry S. Heath, and Mr. Heath's reply, May 25, 1903.*

MAY 19, 1903.

MY DEAR MR. HEATH: I intend, as soon as I can have it copied, to send you a full text of Mr. Tulloch's letter to me. I send you herewith that part of it which was printed in the "Washington Post."

I think we have it all well in hand, with the exception of the question of the appointments and of the work assigned to those appointed. I wish you would go over the statement carefully, and in the meantime look over the one I send you to refresh your memory, and give me any light upon it that you can. Postmaster Merritt, Comptroller Tracewell, and Auditor Castle make full statements, but we are not in position to learn much from Mr. Beavers, and Postmaster-General Smith knew but little of the details.

What can you say regarding the charge of the junketing trip, to which Mr. Tulloch alludes so forcibly?

I will send you the full text to-morrow.

Very truly, yours,

H. C. PAYNE.

Hon. PERRY S. HEATH,  
*Salt Lake City, Utah.*

MAY 20, 1903.

MY DEAR MR. HEATH: I inclose herewith copy of the letter written by Mr. S. W. Tulloch, in which he makes statements reflecting upon the management of the Washington post-office and the Department previous to the year 1900, and especially charges you, as First Assistant Postmaster-General, with many acts of doubtful propriety.

I will be glad if you will give me any information bearing upon this subject. The Comptroller, Auditor, and Postmaster Merritt can explain the matters which refer to them and their offices, but the points upon which we have little or no information are those of the putting upon the pay rolls of people who, it is stated, did little work, if any. As an example, Mrs. Fannie R. Winans called here yesterday and said that she was put to work in the Washington post-office, remained there for three or four months, then was laid off with pay and did nothing for eleven months, drawing her pay in the meantime. At the end of that time she obtained a situation in the Agricultural Department. It is said that there are two other such cases, although we have not the evidence yet of that fact.

Mr. Tulloch lays particular stress upon the fact that many people were appointed who took mere junketing trips through the West India Islands.

I would be very glad to receive anything from you that will throw light upon this whole subject.

Very truly, yours,

H. C. PAYNE,  
*Postmaster-General.*

Hon. PERRY S. HEATH,  
*Salt Lake City, Utah.*

(The "copy of the letter written by Mr. S. W. Tulloch" referred to herein is a copy of Mr. Tulloch's letter of May 15, 1903, to the Postmaster-General.)

SALT LAKE CITY, UTAH, May 25, 1903.

Hon. H. C. PAYNE, *Washington, D. C.*

MY DEAR MR. PAYNE: I thank you for your courteous letters of the 19th and 20th instant, calling my attention to certain assertions of one S. W. Tulloch, ex-cashier of the Washington post-office, and also the statement of a Mrs. Winans, formerly of Ohio, who is quoted as saying that she was carried upon the rolls of the Washington post-office with the understanding that she was not to render service to the Government.

If Mrs. Winans did not render services equivalent to the compensation she received her superior officers were deceived. I did not know the woman when she was appointed and had no personal interest in her. Her name was among the large number always on my desk, and I recall that she was well recommended for a position. I did not and could not attempt to personally ascertain whether persons appointed to positions in post-offices rendered satisfactory service. I do remember that this woman became a nuisance about the Post-Office Department, and that I refused to see her. She was reported to me by my chief clerk as being persistent in her demands for promotion, or more desirable work. She at least pretended to my chief clerk, so he reported to me, to perform services warranting promotion or better compensation.

By the same token, upon the same line of comment employed by Tulloch, nearly if not quite all of the transactions of the Executive Departments in Washington could be called into question and improper motives could be assigned. Necessarily I could not follow the details of the work of post-office clerks. I was compelled to trust my subordinates and to rely upon postmasters. We had a change of Administration, a war, the Americanizing of immense foreign service, and the taking over of vast expanses of new territory. But I mastered as many details as possible, and I proudly hold myself responsible for all that I did, for the humble part I took in the work of the Department.

I never appointed any person to any position or retained anyone in any position, at any time, with any sort of notion or idea that he or she was not to render full and honest service to the Government for the pay received. The intimation that there was an "honorary roll," upon which persons were placed for political or personal or other purposes than good service, is a pure invention. It is a lie out of whole cloth, as are most of the imputations of Tulloch. If any persons were so appointed or retained it was through their own dishonest designs.

There was a period extending over many months when many more men were demanded for service in Cuba, Porto Rico, and at military camps in our country than we could supply. We drew through larger post-offices for men from classified service, receiving many, but when responses from post-offices ceased to be sufficient we drew names from applicants outside classified service and conscientiously selected those whose capability and character were deemed best established. In this hurried work of appointments, hurried dispatch of men and materials to scenes of action, some mistakes were of course made, some confidences as to integrity blasted, but these things occur and will so long as men live.<sup>a</sup>

I made a visit to Porto Rico when the Spanish form of postal service was taken over and placed under our system. I did not seek the trip, and never made a more disagreeable one or one where I rendered better service or made more sacrifice. For every dollar expended vouchers were rendered and accounting made. I made a trip to the Pacific slope, I believe in the spring of 1898, in connection with conditions existing in post-offices at Portland, Tacoma, and Seattle, incident to the handling of the Alaskan mails and local congestions, for which a strict accounting was made. Possibly Tulloch did not deem these trips necessary, but I doubt if he had the slightest conception for which they were made or what was done upon them.

There are two personal references to me in the Tulloch assertions that I desire to mention briefly, and the others I will pass over as unworthy of mention or for

<sup>a</sup>This paragraph was incorporated in the letter at the request of Hon. Perry S. Heath, in a telegram dated May 31, 1903, after the letter was received at the Department.

reply from those who have had later access to the official records, for these incidents occurred four or five years ago.

Complaints were made to me by clerks in the Post-Office Department or the office of the Auditor for the Treasury that an employee of the latter, named Gilmer, frequently entered their rooms and in a surly, offensive, and peremptory manner demanded records and carried them away without leaving any receipt, or simply helped himself, and when receipt was requested snubbed the clerk making the request. I was asked by our clerks to request, and did request, of Treasury officials that Gilmer be instructed to act like a gentleman and to protect clerks in the Post-Office Department by leaving receipts for all records taken by him from the Department. A displaced document would naturally subject the responsible clerk to censure, if not, indeed, a charge of dishonesty. What purpose Gilmer had in carrying these records from the Department I do not pretend to say. This incident had no connection with Gilmer's work as Auditor.

The other reference relates to Tulloch's displacement from the position of cashier in the Washington post-office. The first distinct recollection I have of Tulloch was shortly after the induction of Postmaster Merritt and the appointment of a new cashier. A number of Tulloch's friends called upon me singly and asked me to intercede for his reinstatement. After I had steadily declined to make any intercession, one or two or more men called and advised me, as a matter of politics and prudence, to have him reinstated. I was advised that Tulloch had been collecting evidence of improprieties in the post-office, and that if he were not reinstated he would expose them; that I would be made to suffer, and McKinley's Administration would be scandalized. I remember to have stated to one of these importunate friends that I could not conceive how an honest and conscientious employee of the Government would want to remain in a position where wrong was being done, much less reinstated under such conditions, and that as he had been a sworn officer of the Government and had not to my knowledge reported these alleged irregularities I could and would not in conscience recommend him for any position. This is the matter to which you now call my attention, and which was then, at the instance of Tulloch, published in newspapers in Washington and elsewhere, and then fully answered. The men against whom allegations were directed had refused to pay the price of the proposed secrecy.

If there is any specific information that I can give you or any service that I can render you in any way in collecting facts bearing upon any transactions within the Bureau over which I presided until about three years ago, I shall be glad to serve you.

Thanking you for your courtesy, and with best wishes,

Yours, faithfully.

PERRY S. HEATH.

*Letter of the Postmaster-General, May 20, 1903, to John A. Merritt, postmaster, Washington, D. C., and Mr. Merritt's reply, May 26, 1903.*

MAY 20, 1903.

Hon. JOHN A. MERRITT,  
*Postmaster, Washington, D. C.*

SIR: I inclose herewith copy of statement of Mr. S. W. Tulloch, in which he makes specific statements and charges concerning you and your administration of the post-office at Washington.

If there are any statements made by him to which you desire to make reply, please do so at your early convenience.

Very respectfully,

H. C. PAYNE,  
*Postmaster-General.*

(Inclosure.)

[The "copy of statement of Mr. S. W. Tulloch," referred to herein, is a copy of Mr. Tulloch's letter of May 15, 1903, to the Postmaster-General.]

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WASHINGTON CITY POST-OFFICE,  
OFFICE OF THE POSTMASTER.  
*Washington, D. C., May 26, 1903.*

Hon. H. C. PAYNE,  
*Postmaster-General, Washington, D. C.*

SIR: In compliance with your invitation of the 20th instant I have the honor to submit the following statement in reply to certain written charges recently made to you by Seymour W. Tulloch, late cashier of the Washington post-office, relative to the management of postal affairs in this city during the past six or seven years.

Upon carefully examining the paper, which is substantially a repetition of the charges made by Mr. Tulloch four years ago, when he was relieved from the office of cashier, I find that nearly all the irregularities to which he calls attention occurred under the administration of Mr. James P. Willett, my predecessor, and that many of them comprehend not so much abuses, either actual or supposed, in the Washington City post-office as the alleged misconduct of the Postmaster-General, the First Assistant Postmaster-General, the Auditor for the Post-Office Department, and the Comptroller of the Treasury. For Mr. Willett, unfortunately, whom in effect Mr. Tulloch puts in the attitude of complaisant obedience to the Department's improper demands, and who, he states in a recent published interview, allowed these abuses to go unchallenged and uncorrected because he was afraid of being removed from office, there is no one to speak; being dead, he must remain without vindication. My answer will be mostly confined to those things that are spoken of, openly and by innuendo, as improper acts of mine, whether originating since I became postmaster or continuing from the administration of my predecessor. I take them up in the order in which Mr. Tulloch presents them.

First. The practice of paying certain expenses of the Post-Office Department out of the funds of the Washington office, which Mr. Tulloch so earnestly condemns, has been continued by me since he ceased to be cashier. My office is now regularly paying the employees of the third division of the railway mail service, the employees of the departmental mail-bag and mail-lock repair shops, and it is making such other disbursements outside of its own needs as the Department from



time to time orders. Many of the large disbursing post-offices are doing the same thing. There is no impropriety in this practice. It has existed almost from the beginning of the Government, is fully authorized by custom and law, and, so far as postmasters are concerned, it is absolutely required by sections 383 and 391 of the Postal Regulations and by section 3639 of the Revised Statutes of the United States.

Mr. Tulloch apparently would have it understood that there is fraud in all this; but that is far from true. Every disbursement of this character is scrutinized by the Auditor for the Post-Office Department just as carefully as is done with every other class of expenditure (and by the Comptroller of the Treasury also, whenever he deems it necessary), not only as to its legality, but as to its accuracy and regular authorization; and all such items in a postmaster's accounts are in their audit separated from those that are applicable to the post-office itself, and charged up against the proper appropriation. A case which Mr. Tulloch describes as a gross irregularity, occurring under the Cleveland Administration, and which gave him great concern, affords a very happy illustration of how such expenditures as those above referred to can be made without the least impropriety.

A Mr. Shepard, chief of the salary and allowance division of the First Assistant Postmaster-General's Office, needed a file case for official use. The disbursing officer of the Post-Office Department refused to honor Mr. Shepard's requisition, whereupon the latter applied to his chief and obtained an authorization to buy the case, together with an allowance to the postmaster at Washington to pay for it. There is nothing fraudulent in this transaction. The only question involved (assuming, of course, that Mr. Shepard needed the file case) was whether it should have been paid for out of the appropriation under the control of the disbursing officer of the Post-Office Department or out of a similar appropriation under the control of the First Assistant Postmaster-General. It is needless to say that in the audit of the postmaster's account this expenditure was considered not as for the use of the Washington City office, but as an item chargeable to the miscellaneous appropriation of the First Assistant Postmaster-General.

Second. Concerning the case of Oliver H. Smith, who is referred to by Mr. Tulloch as the intimate friend of the First Assistant Postmaster-General, as an official drawing two or three salaries, and as rendering no real service, I have only this to say: I found him on the roster of the office when I took charge of it; I was not responsible for his original appointment, and I have no reason to believe there was anything improper in it: he had drawn but one salary since my incumbency, and I have seen no cause whatever for discontinuing his services. He showed himself to be a man of ability, perfectly willing and even anxious to make himself useful, and he has been since constantly employed by me on necessary and important work. I regard him as one of the most valuable of my subordinates.

Third. As to Nathan H. Baker, whom Mr. Tulloch also stigmatizes as a useless employee, this statement may be made: When I entered the office I found him on the rolls, drawing pay in two capacities, it is true, but not in violation of law, and amounting to only \$1,300 per annum. Mr. Baker resigned, but subsequently reentered the office. He is not now in the Government service, but so long as he was under me he was usefully employed.

Fourth. With the employment of Dr. John E. Jones, whom Mr. Tulloch refers to as an unnecessary official, I had nothing to do. Not long after my appointment he resigned, and has not been connected with the office since. While with me he performed his duty faithfully and conscientiously. The office of physician, by the way, no longer exists here, having been abolished some time ago by your order, although the appointment of such an officer is authorized by law in post-offices of the magnitude of this.

Fifth. As to the nine or ten persons taken on as cleaners and charwomen, to whose employment Mr. Tulloch takes indignant exception, the following are the facts: They were all appointed before I came into office. One of them, Miss Emma Jones, was dropped from the rolls some time before that. Fannie R. Winans never reported to me at all, and I had her dismissed from the date of my installment. Margaret S. Burke, W. Slenker, and Helen Fenton have never been upon the rolls since my appointment, nor have they received pay from me in any other way. The remaining five—Fannie Jeffrey, Laura E. Nevitt, Lizzie Crowther, Kate E. Whitesides, and Frances Daly—are all worthy women, and I saw no cause for removing them, especially as they were in needy circumstances and anxious to do their duty. One of them, Mrs. Nevitt, long ago resigned; the rest of them are still here. They are certainly rendering daily service, and have been doing so ever since I took charge of the office.

Sixth. The practice which Mr. Tulloch condemns, of employing a man, for example, as finance clerk and giving him a duty seemingly incompatible with that position, I found in existence when I came into office. It extends, I am told, to

probably every large post-office in the United States. I have repeatedly called attention to it. There is no real abuse in it, however, the employees thus irregularly designated being all usefully employed. Mr. Tulloch himself admits that the men to whom he refers as being so engaged are good men and valuable officials, who deserve the compensation they get. What is more, the law itself, as laid down in section 298 of the Postal Regulations, fully authorizes the practice. The proper way to break it up, if it be considered desirable to do this, is not to change the designations of these employees so as to reduce their compensations, for they are now getting no more than they deserve, but to recommend to Congress the immediate modification of the present unnecessary, absurd, and impracticable classification of post-office employees.

Seventh. In connection with alleged abuses in the military postal service of Porto Rico, the offices in which were operated as stations of the Washington office, I have nothing to say except that the final account of my predecessor, under whose administration, and not mine, the irregularities are said to have occurred, was properly rendered by me in his behalf after Mr. Tulloch had refused to give him the least assistance in the matter unless paid therefor \$500, and that it was settled with the Auditor without material loss either to the sureties of the postmaster or to the Government. I notice, by the way, in another part of Mr. Tulloch's paper that he not only admits the story of this demand to be paid \$500 by the late postmaster but that he defends it as a righteous thing. Mr. Willett, himself, however, looked upon it very differently. He indignantly denounced it to me as a cold-blooded, avaricious proposition, and those who know Mr. Willett well, who were aware of the friendly relations existing for five years between him and his cashier, who felt as he did that voluntary and unrewarded help from the latter was to be expected, and who appreciated his keen mental distress at that time, with the shadow of death even then upon him, will, I think, be disposed to regard the proposition in the same way.

Rather inconsistently, Mr. Tulloch says that he could not have helped Mr. Willett, because he had no right to go into the cash room of the post-office and examine the papers. How, then, could he have expected to help if his \$500 proposition had been accepted? Again he says that shortly before he and the assistant postmaster had so great a solicitude for Mr. Willett that they did not dare to communicate to him a piece of unpleasant news. Yet here we find him offering to take \$500 of the postmaster's money for a service which every right-minded man must think he should gladly have rendered for nothing. In a word, while Mr. Willett was ill mentally and bodily, and in the depth of trouble, Mr. Tulloch, instead of aiding and sympathizing with him, "preferred," as he says, "to go to the seaside."

Eighth. I come now to notice the things that Mr. Tulloch says of me personally—allegations that are mostly spiteful and puerile, and that seem to have no connection with the general scope of his charges—allegations, too, that seem to grow out of angry disappointment that after holding the office of cashier for twenty-one years he was not permitted to hold it twenty-one years longer, or that being a rich and influential man he was required to give way to a poor one.

Mr. Tulloch says that shortly after my selection was announced I informed a gentleman, who mentioned it to him, that "Tulloch had to go; that General Heath insisted upon it, and that no pressure brought to bear could save him." No such remark was ever uttered by me. Even if the story were true, however, there would be no apology due him for it. I had the right given me by the law to choose my cashier, and it seems to me to be in exceedingly bad taste, bordering on impudence, for Mr. Tulloch to contest this, and to insist upon his right to stay when I preferred some other man.

Mr. Tulloch also complains that I appointed my "stepson," H. K. Van Alstyne, to the office of superintendent of the registry division of the post-office with a salary of \$2,200 per annum. Two points of this interesting statement are false. Mr. Van Alstyne is not my stepson—is, in fact, not even remotely related to me—and he never received \$2,200 a year. He is now a clerk in the money-order division with a salary of \$1,600. He took charge of the post-office at San Juan, for which he was amply qualified, having had four or five years' experience in one of the Presidential post-offices of this country, and he conducted its affairs creditably for nearly a year and without the loss of a dollar to the Government.

Mr. Tulloch speaks also of me in rather an angry manner because I am, as he says, an "outsider," and he urges quite irrelevantly that the postmaster of this office should be a "local" man, and that all the offices under him should be given to local men. Feeling grateful for the kind manner in which I have been invariably treated by the people of Washington, and understanding how natural it is that they should prefer their own citizens for all their local offices, I am not disposed to cavil at Mr. Tulloch's criticism so far as it affects me. On the con-

trary, if the realization of his wishes were practicable, I do not know but that in the main I should feel inclined to agree with him. But every man who reflects upon this matter can easily see that such a thing can not be. The civil-service rules open the door to all applicants for positions in the post-office, regardless of where they may come from, and there is no law that prevents an outsider from also coming into the postmastership.

Out of 18 men who have filled this office since its establishment only 2 were born here; the rest were outsiders, including Mr. Tulloch's father, who was one of the worthiest. It is rather singular, however, that Mr. Tulloch should be so strenuous an advocate of this principle of home rule when he himself is an outsider. He was originally brought here from a distant State and put into office without even an examination, and I am told that he is still an outsider, having been a resident and a citizen of Maryland for some years. It is somewhat odd, too, that he should condemn me for appointing my son cashier of the post-office when his own father appointed him to the same place. It is still more astonishing that he should look upon it as a wrong for me and "members of my household" to have drawn \$40,000 for services honestly rendered to the Government when he and his family have probably drawn in the same way nearly a hundred thousand. All these inconsistencies, however, may be understood when we come to analyze his motives. He is manifestly not the disinterested patriot he ostentatiously professes to be, anxious to better the methods and reform the abuses of the postal service; else why did he wait until he was put out of office, loaded up, as he seems to have been, with memoranda and copies of official papers made by him with untiring industry when he was still in. He is, on the contrary, a splenetic and disappointed man, whose self-esteem was badly hurt when he was removed from office, and whose eager desire for revenge has blinded his judgment and sense of fairness.

In closing this rather lengthy letter I can not refrain from saying something—although it is rather out of place for me—about what have been called the disallowances by the Comptroller of the Treasury in the account of my predecessor for the quarter ending September 30, 1898, amounting to some \$30,000 or \$40,000, my intention in alluding to them being to assist in showing the absurdity of some of Mr. Tulloch's charges. These alleged disallowances were not such in reality. I have the Comptroller's letter before me, and I find that they were merely demands made by him for explanation as to certain items in the account which his expert examiner had some doubt about, amounting to a very considerable sum. One item, for example, involved the payment of \$2,409.84 to the special-delivery messengers of the office, the expert's objection to the expenditure being the absence of any specific appropriation for the service; but when the Comptroller's attention was called to the fact that a similar expenditure had been made for years, and that the plain direction of the law required the Postmaster-General to pay special-delivery messengers for the service rendered by them—the law being regarded as a standing appropriation—the objection was withdrawn.

Another item comprehended the payment of \$74,769 to railway postal clerks whose runs began or ended in this city, the expert's objection being that such expenditure was not for the use of the Washington City office; but once more the objection was overthrown by showing that such payments were made at many other large disbursing post-offices, that they had been so made time out of mind, and that they were specifically authorized by law.

Still other items, embodying the payment of nearly \$35,000, were on account of the mail-bag and mail-lock repair shops in this city, the expert making the same objection as in the preceding case. But here again the expert was shown to be in the wrong by the presentation of a letter from the Secretary of the Treasury written two years previously, positively refusing to authorize any arrangement whereby these payments could be made differently.

But even if the Comptroller had formally disallowed these items, that would not of necessity have implied that the expenditures were wrong. Disallowances very frequently do not mean this. Sometimes the accounting officer himself may be in error; sometimes the expenditure may be authorized, but be in excess of the appropriation, which the postmaster knows nothing about; and still other things may exist to show that the expenditure involves no dishonesty or other fault. If this were not so, Mr. Tulloch himself could be shown to be badly at fault as the cashier of a former postmaster, who was very much astonished one day, after he went out of office in September, 1890, at being officially informed by the Auditor that owing to certain disallowances he was in debt to the Government over \$52,000, and that he must deposit the money immediately—further investigation, however, showing that he was practically free of liability.

Very respectfully,

JOHN A. MERRITT,  
Postmaster.

*Letter of Seymour W. Tulloch, June 3, 1903, to the Postmaster-General.*

WASHINGTON, D. C., June 3, 1903.

Hon. H. C. PAYNE,  
Postmaster-General, Washington, D. C.

SIR: I beg to correct certain misrepresentations in the letter of Postmaster Merritt, making charges reflecting upon my official career.

With regard to the innuendoes affecting me personally, I am willing to stand upon the record of twenty-one years' service and my pleasant relations with all employees, officials, and the public with whom I came in contact during that entire period. Even when I was compelled to be firm with "grafters" I was never discourteous.

Mr. Merritt, at the time of my removal, expressed in writing sentiments directly opposite to those which, in his replies, he now states actuated him. Let it be frankly admitted, however, that his replies represent the result of four years of overhauling of all my work, and in the spirit indicated, and what is the net result? He charges that quarterly pay rolls were required to be signed in blank, and that a "false voucher" was forwarded to the Auditor.

The first charge, even were it true, must produce a smile in Washington, where probably the greater portion of governmental employees sign pay rolls in blank. As a matter of fact, this custom, usual elsewhere, was prohibited by Postmaster Conger eighteen years ago.

It is true, however, that railway postal clerks living at a distance or absent upon their runs and other employees expecting to be absent upon pay days requested at times as a personal favor the privilege of signing in advance, the pay roll or separate vouchers going to the Auditor, since no signature except that of the employee himself was permitted. This having been done, they were at liberty to designate in writing some person to sign the duplicate pay roll retained in the office. It is needless to state that at the time of payment all figures had previously been filled in on both pay rolls. Such a practice was for the accommodation of the employees, and at their special request each time.

When making this innuendo of fraud, in order to discredit me, Mr. Merritt was well aware that all salaries are regulated by the Department and can not be changed either by the postmaster or any subordinate, and that all periods of service, checked by reports to the Civil Service Commission, are certified in writing by the proper officials, making a false payment easily detected.

The public press, however, has treated more seriously the second charge, that of a "false voucher," so-called. Mr. Merritt hesitated not to acknowledge that the transaction was directed by the postmaster, recognized by the assistant postmaster, and the money retained paid to persons duly designated. I do not see, therefore, that I am in any way implicated, but Mr. Merritt could not resist the temptation to attempt to further discredit me.

What are the facts? A number of persons standing highest upon the civil-service record are appointed substitutes without pay. They report daily and take the place of absent employees, thus learning the duties of the office. Their sole remuneration is derived from the pay of clerks whose places they temporarily fill. Cases arose in which clerks failed to pay their substitutes promptly, and the postmaster directed that previous to payment the receipt of the substitute for the amount due him should be placed in the pay envelope, the employee signing for the full amount and the amount thus retained paid to the substitute by his division superintendent. The case specially cited by Mr. Merritt was, I believe, where an employee after a drunken spree was fined rather than dismissed, and the money was divided by his superintendent, Mr. Springer, among substitutes for services rendered. The cashier had nothing to do with it save to obey the written orders of his superiors.

It is charged I should have reported irregularities. I did to the only persons I could, my immediate superiors and the inspectors of the Department. Nor would Mr. Merritt himself permit a subordinate to hold official relations over his head.

The statement by Postmaster Merritt of appointments, promotions, and transfers in his office is limited, at your request, to the period of your administration. It might be interesting to know what was done previous to that time and while Mr. Heath was in office.

May I ask why Mr. Merritt dwells so at length upon payments to railway postal clerks, carriers, etc., from local funds which nobody disputes, and carefully omits those special payments of traveling expenses of departmental officials and supplies to which attention was attracted, and which Auditor Castle in his reply of the 22d ultimo stated "violated rules of correct accounting?" Hence the Auditor frequently suggests to the Department that certain expenditures should not be ordered paid by postmasters.

Mr. Merritt would have the public believe I was mercenary with the late postmaster. Mr. Willett himself suggested he could obtain a special appropriation, and I named \$500 as a fair price for settling his accounts, which would require over two months' time, stating, however, I would do it for him personally, if necessary, for nothing. He afterwards informed me that he had arranged with Mr. Beavers to have the work done by clerks in the office of the First Assistant Postmaster-General, as it related almost solely to accounts in Porto Rico. The balance was done by Mr. Merritt's force, who alone had proper access to all papers. Mr. Willett was friendly with me to the day of his death.

Mr. Merritt need make no apology for removing me at the instance, had it been necessary, of General Heath. In spite of denial, I prefer to believe the gentleman who repeated his utterances to me.

While Mr. Merritt denies that Mr. Van Alstyne, whom he appointed superintendent of the registry division, is in any way related to him, it was well known to every clerk in the office that Mr. Van Alstyne was a member of the postmaster's immediate household.

I have no desire to engage in a controversy with Mr. Merritt, save as his charges affect my official record. In spite of his denials, it is well known that he has been largely influenced by departmental officials in the administration of his office; and statements have come to me direct with regard to payments made to or suggested by certain persons for the location of postal substations in this city.

In closing may I state that it has not been shown to the contrary in

any of the replies you have published that irregular payments were made from local funds instead of by the proper disbursing officer of the Department; that an attempt was made to cause all employees to bond under a single blanket bond with some favored company; that the regulations of the Department were violated in forcing a letter box—in which prominent officials were said to be interested—upon the public, even to the unauthorized use of the postmaster's authority and against his protest; that payments were directed for articles not delivered; that persons were paid two and three salaries and performed little or no service; that a physician was illegally appointed whose position was a sinecure (I have been told that a \$300 operating table was purchased for private use and charged to the Department as postal furniture); that promotions were suggested upon proviso of division with high officials in the Department; that persons were appointed, from whom no service was required, upon a complimentary roll; that arrears in Porto Rico were not fully recovered; that useless junkets were frequent to Porto Rico and Cuba; that persons paid from the military postal service had their salaries continued for months after ceasing all service, and that salaries were also continued after service had ceased to take up irregular expense?

In spite of the statement of Comptroller Tracewell, I would say Mr. Gilmer was employed upon the account of December 31, 1898, when Deputy Auditor Lawshe personally removed the papers, stating that the Comptroller had promised no further investigation should be made. Mr. Tracewell admits, however, that a considerable amount of these irregular payments should not, by a strict construction of the law, have been allowed. "I stated squarely at the time," he says, "that I would pass those accounts only on condition that similar practices should not be repeated."

And even Postmaster-General Smith admits in his reply of the 27th ultimo:

"I should not be altogether candid if I did not say that in some cases I was not convinced of the necessity or propriety of the transactions."

With regard to the reply of Mr. Heath all that is necessary is to compare my specific charges with his general denial.

In spite of labored denials or the attempts to raise other issues in lieu of those actually made, I submit that my representations to the Post-Office Department remain in all essential particulars true, and that my statements, submitted in good faith after being out of the service four years, have not been disproved.

I would also state that under no conditions would I have accepted office under Postmaster Merritt after my removal—I am not responsible for any action friends may have taken at the time without my knowledge—and there is no office within the gift of the Post-Office Department to-day which I would accept.

Very respectfully,

SEYMOUR W. TULLOCH.

*Report of the inspectors on their annual inspection of the Washington, D. C., post-office, filed July 10, 1899, which is supplemented by a confidential report of Inspector in Charge Smith.*

POST-OFFICE DEPARTMENT,  
OFFICE OF POST-OFFICE INSPECTOR,  
Washington, D. C., July 10, 1899.

Capt. W. B. SMITH,  
*Inspector in Charge, Washington, D. C.*

SIR: We have the honor to transmit herewith Form 573, covering an inspection of the post-office at Washington, D. C., to include the business of June 30, 1899, on which date the office was transferred to Hon. John A. Merritt, the newly appointed postmaster.

It will be observed that the outgoing postmaster, Mr. James P. Willett, had on hand for delivery to his successor:

Postage stamps and other stamped paper .....	\$195,819.72
Money-order funds .....	8,286.26
Key-deposit funds .....	134.80
Key-forfeiture fund .....	102.62

Credit has been given in the postal account for advances and expenditures for the military stations at Porto Rico as follows, viz:

Value of stamped paper advanced .....	\$12,769.24
Military postal service, miscellaneous .....	15,063.37
Military service pay roll .....	30,259.56
Amount suspended by Auditor on account of short payment of mail messenger .....	2.69

It is suggested that these accounts be promptly adjusted, more especially the item of postage stamps and stamped paper advanced to the following persons assigned to duty in connection with the postal service in that island, viz:

McKenna .....	\$3,100.00
Whitney .....	3,010.00
Van Alstyne .....	3,100.00
Graff .....	559.24
Bristow .....	3,000.00
Total .....	12,769.24

Among the credit items will be found one of \$50.30 classed as a "miscellaneous account, Post-Office Department," which was found to cover the expenses of Mr. George W. Beavers, chief of salary and allowance division, on a trip to Philadelphia, Pa., and Hartford, Conn., and of G. D. Fisher, clerk in the same division, to Philadelphia, Scranton, and Wilkesbarre, Pa., on official business, and was paid by authority of the honorable First Assistant Postmaster-General.

This item evidently should have been paid through the regular disbursing officer of the Post-Office Department, as it forms no part of the legitimate expenses of the Washington office.

Another item is for \$4,359.20 on account of rent paid for the second quarter of 1899.

Having ascertained that the annual rental of all the stations connected with the office was \$7,800, or \$1,950 quarterly, inquiry was made as to the balance charged, when it developed that the salaries of clerks in charge of substations had, since July 1, 1897, been carried into the postmaster's return under the head of rent, an irregularity liable to create confusion in adjusting the accounts.

Items also appear under the head of mail-bag repair shop, \$313; and mail-bag repair shop pay roll, \$25,060.76; also mail-lock repair shop, \$137; mail-lock repair shop pay roll, \$8,064.85. The expenses of these shops form no part of the business of the Washington office, and it should not be charged with disbursements which properly belong to the Department itself and which are payable from postal receipts. It would appear that some arrangement might be made to relieve the Washington office of these payments.

#### REGISTRY DIVISION.

For the twelve months ended May 31, 1899, this division dispatched 945,740 pieces of registered matter. Of this number 858,593 were official or free matter, as against 87,147 pieces upon which postage and registry fee was paid, showing a difference between free and paid matter of 771,445 pieces.

Much of the official matter sent out bearing the "registered" label is neither what would be termed registered or ordinary, but of a peculiar character.

Large quantities of printed matter, public documents, maps, blank money-order forms, and packages of postage stamps are entered on the books under a registry number, where no record of transit is provided for or return receipt required.

Experience has demonstrated that at the office of delivery much of this matter is not recorded or receipted for, and efforts to trace such a parcel are often without result, owing to the fact that, in case of public documents, the senders are often unable to determine what was sent under a certain number, and the addressee, after removing and destroying the wrapper, can not state whether he received a certain parcel or not.

We would recommend that public documents be eliminated from registration, and that all other registered articles be treated in every particular as fully registered, and provide a record of transit as well as return receipt.

The roster of the office shows that on June 30, 1899, 29 employees were borne on the rolls and paid on what has been known as the "military roll," while the "military roll" shows 34 names as having been paid by the cashier of the Washington post-office.

We also found a "special roll of employees paid from miscellaneous allowance, said appointments being under control of the Post-Office Department." This roll consists of nine cleaners with salaries from \$400 to \$600, and one physician at \$1,700. Some of these "cleaners" appear to have performed very little service and others none at all. The duties of the physician appear to be to visit all employees reported sick and determine whether they are actually unable to perform their duties. We do not understand that he renders other service.

At Station A (Georgetown) we found Robert V. Willett, a son of the postmaster, as an employee, but the superintendent of the station could give no information as to his salary. Inquiry at the main office disclosed that the young man was appointed as a laborer at the city post-office June 21, 1898, salary \$600, and on July 1, 1898, as a mechanic at \$2 per day for each working day, on what appears to



have been a special roll of the free-delivery service. The last appointment was canceled December 10, 1898, thus drawing two salaries from July 1 to December 10, 1898. On March 1, 1899, he was assigned to the military roll, at a salary of \$1,300, and appears to have been performing service at Station A in this city.

The case of N. H. Baker is of a similar nature, he having been designated as a laborer on the post-office roll April 29, 1899, at \$700 per annum, and on same date as a mechanic on the free-delivery roll at \$2 for each working day.

There are seven stations and 42 substations attached to the Washington office. All these were inspected between the 26th and 29th of June, 1899. The stations were found in good condition, well located, and the finances correct, with the exception of Station G, where the superintendent had delivered 3,000 stamped envelopes without receiving payment, and a memorandum for \$63.60 was found as part of his cash on hand.

At Station A the superintendent states that he needs a new combined money-order and registry desk and iron railing around same. As this station is located in a building controlled by the Treasury Department, it is suggested that the matter be taken up with that Department.

When Station E (Tenleytown) was established, Postmaster Willett required Mr. Charles A. Becker, who was appointed superintendent, to provide premises for the station, furnish fuel and light, purchase his own supplies, and furnish accommodations for carriers, for which a salary of \$300 per annum was allowed. We recommend that Mr. Becker be allowed a credit of \$200 under bond given, and his salary be increased to \$400 per annum, the same compensation he was receiving prior to the establishment of the station. None of the substations have a credit with the main office, using personal funds in purchasing the necessary supplies. Some of them sell over \$40,000 per year, and certainly those who are having large sales should be allowed a reasonable credit under the bond given.

At substation No. 35 the clerk in charge, Mr. A. S. Daggett, has been using \$40 of the money-order funds in purchase of postage stamps and other supplies. This has been with the knowledge of the inspector of stations, Mr. Homiller, who tacitly overlooked the irregularity.

The account of lock-box keys at the main office and stations is correct, with the exception of Station A (Georgetown), which is charged with 324 keys, while it actually has 381, an excess of 57. This error has been reported to the postmaster at Washington, D. C., and his books will be corrected accordingly.

How this error originated is not positively known, but it probably occurred through some report of the Treasury custodian years ago.

The cashier's office in the new post-office building is provided with a vault, but no fire and burglar proof safe, which is very much needed, and should be furnished as soon as possible.

Such irregularities as have been noted in this report should receive prompt consideration by the Post-Office Department.

We recommend that the case be closed.

Very respectfully,

F. E. LITTLE,  
S. G. HOOTON,  
JOHN W. BULLA,  
D. C. OWINGS,  
W. J. MAXWELL,  
*Post-Office Inspectors.*

*Confidential report of Inspector in Charge Smith on the condition of the Washington, D. C., post-office, filed July 6, 1899.*

POST-OFFICE DEPARTMENT,  
OFFICE OF POST-OFFICE INSPECTORS,  
WASHINGTON DIVISION,  
Washington, D. C., July 6, 1899.

Hon. W. E. COCHRAN,  
*Chief Post-Office Inspector, Washington, D. C.*

SIR: In connection with the inspection of the Washington, D. C., post-office, made June 27, 28, 29, and 30, 1899, I desire to submit the following confidential report, which sets forth certain irregularities discovered by me, which in my judgment indicate a condition of affairs demanding an immediate, thorough, and exhaustive investigation.

IRREGULARITIES IN CONNECTION WITH SERVICES PERFORMED BY  
MILITARY POSTAL CLERKS.

*Edward S. Allen.*—Appointed March 15, 1899, at \$1,400 per annum, as expert mechanic on military roll.

It appears that this party is engaged in traveling and testing canceling machines in the United States.

*N. A. Cummings.*—August 22, 1898, transferred to military roll, at \$900, and detailed to Post-Office Department, salary and allowance division; January 17, 1899, promoted to \$1,000, to date from January 1, 1899.

*D. M. Monroe.*—April 1, 1899, placed on military roll by the First Assistant Postmaster-General and reported to him for assignment.

It is not known where this party is performing service, but it is supposed to be at the Post-Office Department.

*Frank E. Murray.*—September 21, 1898, appointed at \$1,000, military roll, and performing services at Post-Office Department.

None of the above-named parties appear to have performed any service in connection with military postal matters, and no good reason appears either for their original appointment or continuance on the roll.

January 3 and 10, 1899, First Assistant Postmaster-General, by letter, transferred 20 clerks from clerk's roll to military roll. I understand that most of those clerks are at present performing duty in the Washington, D. C., post-office. (See copy of letter from Acting First Assistant Postmaster-General attached. See Comptroller's letter, p. 42.)

JANUARY 3, 1899.

From January 1, 1899, the last 20 regular clerks appointed in your office will be paid from the military appropriation. You are requested to forward a report on form A-45, showing the names of those 20 clerks, in order that the same may be temporarily dropped from your regular clerk-hire roll.

GEO. M. ALLEN,  
*Acting First Assistant Postmaster-General*

## DISALLOWANCE OF THE ACCOUNT OF W. S. LARNER.

W. S. Lerner, a military postal clerk, was paid by the cashier of the Washington, D. C., post-office, under protest, the sum of \$118.93, which sum was subsequently disallowed by the Auditor of the Treasury on January 4, 1899. The full details of this transaction are set forth in attached letter from the cashier to the postmaster, dated February 8, 1899:

WASHINGTON, D. C., February 8, 1899.

Hon. JAMES P. WILLETT,  
Postmaster, Washington, D. C.

SIR: On the 1st day of November, 1898, by direction of the First Assistant Postmaster-General, salary and allowance division, "A. C.," October 31, 1898, this office paid Mr. Winfield Scott Lerner, late military postal service, traveling expenses to Porto Rico and return as follows:

Account quarter ended September 30, 1898.....	\$53.76
Account quarter ended December 31, 1898 .....	57.01
Total.....	110.77

The voucher for the quarter ended September 30, 1898, was forwarded to the Auditor for the Post-Office Department with the postal account of that quarter.

November 29, 1898, an unsigned letter bearing the initials "G. W. B." was forwarded from the office of the First Assistant Postmaster-General, salary and allowance division, directing the payment of Mr. Lerner's salary up to and including November 15, 1898.

It was thought best to return the letter for signature, and the attention of the salary and allowance division was called to the omission, and this office was advised as follows: "Do not pay Lerner after October 31 until otherwise advised."

November 30, 1898, the First Assistant Postmaster-General, salary and allowance division, "A. T.," wrote as follows:

"Referring to my communication of the 29th instant, directing you to pay the salary due W. S. Lerner up to and including November 15, 1898, you are hereby authorized to pay him only to October 31, 1898, from which date his services terminate."

December 8, 1898, the First Assistant Postmaster-General, salary and allowance division, A. T., wrote as follows:

"Referring to my letter of the 7th instant, authorizing you to pay the salary of W. S. Lerner, a clerk in the military postal service in Porto Rico, up to and including October 31, 1898, you are hereby authorized to pay his salary to November 15 instead of October 31, at the rate of \$1,200 per annum. This will entitle him to \$48.91 for the fifteen days ended November 15. From this amount, however, you will deduct \$14, as follows:

For meals on board steamer <i>Seneca</i> August 31, 1898, to September 7, 1898.....	\$12
One bath tub for use of postal committee.....	2

these items having been disallowed in Mr. Lerner's account which you were authorized to pay under date of October 31, 1898. This will leave a balance due Mr. Lerner of \$34.91.

"Mr. Lerner's services terminated on November 15, 1898."

Upon the receipt of this letter the vouchers of Mr. Lerner on account quarter ended December 31, 1898, were immediately forwarded to the Auditor for the Post-Office Department, requesting an examination of the same, "in order that final payment may be made Mr. Lerner on his salary account."

Before this request reached the Auditor this office received next day the following:

"AUDITOR FOR THE POST-OFFICE DEPARTMENT, D. W. D.,

"December 10, 1898.

"Referring to vouchers for expenditures made on account of the military postal service in Porto Rico, submitted with your postal account for the quarter ended September 30, 1898, you are requested to advise whether the item specified below is stated in standard United States money or in local currency. If in the latter, the voucher should be reduced to their equivalents in United States money and payments made on that basis. \* \* \*

"Voucher No. 46, W. S. Larner, \$53.76: The item for express charges, \$2.50, Exhibit M; cab hire, September 7 to 30, \$7.50; and incidental expenses August 30 to September 30, \$10; amounting in all to \$20. Mr. Larner should be required to submit a detailed statement of expenditures amounting to \$10 for which he does not furnish vouchers."

Some hours after the receipt of the above I was obliged to leave the office for a while, and left instructions that if Mr. Larner called during my absence he was to be informed that no final payment could be made him until his expense account was adjusted by the Auditor, as he would be not only required to furnish the information called for by the Auditor in the letter of December 10, just received, but such additional information as might and would be required in similar items contained in his account of December 31, 1898.

During my absence Mr. Larner called and refused to wait for the reply from the Auditor and demanded an immediate settlement, which being refused, he proceeded to the Post-Office Department with reference to the matter.

You were confined to the house at the time by sickness, and the assistant postmaster received a telephone from the Department requesting to know why Mr. Larner could not receive the salary authorized to be paid him. Response was made that the cashier did not care to make a final settlement with Mr. Larner until he had ascertained the items in his account disallowed by the Auditor, or what correction might be necessary before the same could be audited.

The assistant postmaster was informed "that this office held a letter from the First Assistant Postmaster-General directing payment to be made Mr. Larner, and if that was not good enough perhaps it could obey one signed by the Postmaster-General."

The assistant postmaster called the matter to the attention of the office of the cashier and was informed that if payment was desired by him under the circumstances it would be made under protest and only under written instruction.

Mr. Larner thereupon again demanded the amount claimed to be due him. He refused to receipt for the same at the rate of \$1,200 per annum, claiming that he was to be paid at the rate of \$1,400 and had so arranged with the Post-Office Department.

Satisfactory instructions in writing having been received from the assistant postmaster, Mr. Larner was thereupon paid at the rate of \$1,400 per annum for the period November 1 to 15, less \$14 disallowed.

The Auditor for the Post-Office Department replied on the 13th day of December, 1898, "D. W. D.," as follows:

"Your letter of the 9th instant, inclosing letter of W. Scott Larner, military postal service, for the quarter ending December 31, 1898, is received. In returning it you are advised that a preliminary examination shows the voucher to be in proper form except that the claim for subsistence, \$10.50, from October 4 to October 11, should specify the place or places where this sum was expended, and the item of \$10.00, for expenses from October 1 to 24, for which no vouchers were obtainable, should be accompanied by a detailed statement covering this amount." \* \* \*

December 12 and 14, 1898, Mr. Larner was requested to call at this office and furnish the information required by the Auditor, and return the \$8.16 overpayment on account of salary obtained by misrepresentation.

December 16, 1898, this office was informed by Mrs. Larner that Mr. Larner was "out of town for a few weeks and probably will not be able to attend to matters relative to your letters of December 12 and 14." Mrs. Larner was immediately requested to "forward all correspondence to Mr. Larner, as the audit of the accounts of this office is delayed until the certificates and amount in question can be obtained."

No answer, to this date, has been received, though I have been informed that Mr. Larner has returned to this city and has been here for some time.

January 4, 1899, the Auditor for the Treasury disallowed the account of Mr. Larner for the quarter ended September 30, 1898, pending the compliance with his demands, as he will also do with reference to the voucher account of quarter ended December 31, 1898.

As the office of the cashier paid the amounts in question under protest, in pursuance of written instructions, there will be suspended against yourself and your bond—

On account of September 30, 1898 .....	\$53.76
On account of December 31, 1898 .....	57.01
On account salary to November 15, 1898 .....	8.16
<b>Total .....</b>	<b>118.93</b>

Subject to such credits as may be ultimately obtained from the Auditor for the Post-Office Department on account of the vouchers submitted by Mr. Larner.

Very respectfully,

\_\_\_\_\_, *Cashier.*

*Payment for bonds of military postal clerks.*

August 11, 1898, authority from office of First Assistant Postmaster-General to expend for premium on bond of Grenville M. Hunt and stamp on bond of N. A. Smith .....	\$25.50
August 26, 1898, authority to expend for premium on bond of Whitney, McKenna, and Van Alstyn .....	61.50
September 17, 1898, authority to expend for premium on bond of H. C. Graff .....	20.50
October 31, 1898, authority to expend for premium on bond of S. P. Bristow ..	20.50
October 31, 1898, authority to expend for premium on bond of H. P. Loveland and H. Clayton Graff .....	41.00
January 3, 1899, authority to expend for premium on bond of 35 employees ..	224.15

These expenditures appear to have been made without authority of law, as expenses of official bonds are not chargeable to the United States. (See Comptroller's letter, p. 40, last line.)

MILITARY POSTAL SERVICE.

Purchase of the following items was authorized on the dates below:

February 3, 1899, bill of M. D. Helm, 3,500 pounds of jute twine, at \$0.0665 per pound .....	\$232.75
February 23, 1899, traveling expenses of L. J. Robinson from Appleton, Wis., to Washington, D. C. ....	23.00
February 7, 1899, bill of John C. Parker for stationery .....	96.45
March 2, 1899, bill of R. Carter Ballantyne .....	82.69
March 2, 1899, bill of R. P. Andrews & Co. ....	23.50
March 28, 1899, bill of J. C. Parker, 24 cuspidors .....	24.00
March 28, 1899, bill of M. D. Helm, 542 pounds twine, \$0.0665 per pound ..	36.04
March 7, 1899, bill of Corry Jones, letter scales .....	40.50
March 28, 1899, bill of A. O. Nash, stationery .....	28.75
March 31, 1899, bill of Mosler Safe Co., 1 safe .....	300.00
March 31, 1899, bill of Ault Wiborg Co., canceling ink .....	54.00
May 5 and 6, 1899, bill of J. Holt Livingston for furniture, Porto Rico (question as to competition, prices appear to be high) .....	509.10
May 5, 1899, bill of J. C. Parker for stationery .....	43.90
April 27, 1899, bill of J. C. Parker for stationery .....	256.30
April 27, 1899, bill of J. C. Parker for stationery .....	30.00
April 22, 1899, bill of J. C. Parker for 2 sets .....	2.00
April 10, 1899, bill of J. C. Parker .....	13.50
Postal service:	
April 10, 1899, bill of J. C. Parker .....	10.00
April 27, 1899, bill of George W. Cobb, jr., for furniture shipped to Porto Rico .....	1,116.60
May 6, 1899, bill of G. W. Cobb for furniture .....	617.50
May 6, 1899, bill of C. S. Braisted, 475 dozen pencils, blue, 8.5 .....	40.37
May 12, 1899, bill of J. C. Parker for stationery .....	90.00
May 22, 1899, bill of J. C. Parker, six clocks, \$12.50 .....	75.00
May 22, 1899, bill of J. C. Parker, Smith Premier typewriter .....	100.00
May 22, 1899, bill of J. C. Parker, typewriter cabinet .....	25.00
May 22, 1899, bill of J. C. Parker, chair .....	7.00
May 22, 1899, bill of J. C. Parker, copyholder .....	2.00
May 22, 1899, bill of J. C. Parker, dictionary holder .....	5.00
May 22, 1899, bill of J. C. Parker, 12 bill files .....	1.75
May 22, 1899, bill of J. C. Parker, 5,000 sheets Crane's typewriter paper, at \$3 .....	13.00
May 22, 1899, bill of J. C. Parker for stationery .....	119.50
May 22, 1899, bill of J. C. Parker for stationery .....	52.00

## Postal service—Continued.

May 22, 1899, bill of J. C. Parker for engraving plate and printing 400 official cards	\$5.25
May 22, 1899, bill of G. W. Cobb, jr., 3 washstands, a \$40 each	120.00
May 22, 1899, bill of G. W. Cobb, jr., 1 Densmore typewriter	97.00
June 3, 1899, bill of J. Holt Livingston for furniture	219.80
May 23, 1899, bill of M. D. Helm for printers' machine, type, and general supplies	2,041.80
May 26, 1899, bill of J. C. Parker, file boxes, rivet stamp racks, caution cards	92.25
June 19, 1899, bill of J. Holt Livingston, post-office boxes, fixtures, and furniture, contracted for	1,725.00
June 15, 1899, bill of Yale & Towne Manufacturing Company, furniture shipped to Porto Rico	375.00
Total	8,750.70

Whether or not the foregoing items were purchased in the open market or as the result of competitive bids I am not able to say, but the prices paid for some of the articles enumerated, such as washstands at \$40 each, appear to be highly excessive and lead to the belief that the feature of competition did not enter into the transaction.

## ADDITIONAL IRREGULARITIES IN CONNECTION WITH PAY ROLLS OF THE CLERKS AND LABORERS.

*Nathan H. Baker.*—Appointed April 29, 1899, as a laborer at \$700 per annum, and also paid as a mechanic at \$2 per day, except Sundays.

*Margaret S. Burke.*—December 1, 1898, appointed at \$600. Dropped April 8, 1899. Performed no service.

*Gilmer Colson.*—December 6, 1898, appointed laborer by First Assistant Postmaster-General. Supposed to be employed in the Post-Office Department; performed no duty in the city post-office.

*R. W. B. Dorsey.*—October 22, 1898, appointed laborer, at \$600, by First Assistant Postmaster-General. October 26, 1898, promoted to \$700 from date of appointment. Dropped November 11, 1898, by First Assistant Postmaster-General.

*Oscar Durante.*—Appointed September 6, 1898, military postal service, at \$1,400 and expenses. Services ceased April 30, 1899. Paid salary of \$902.88; expenses, \$187.25. No service was performed by Mr. Durante from January 1, 1899, to April 30, 1899.

*Dr. J. E. Jones.*—September 3, 1898, appointed physician, at \$1,700 per annum, for ninety days from September 6, 1898. December 21, 1898, his services were directed to be continued until further orders, since which time he has been continually employed as "physician to the Washington, D. C., post-office." This appointment appears to be entirely unwarranted, as no provision of law can be found authorizing such appointment. (See C. L., p. 24, line 5, and C. L., p. 33, art. 12.)

Robert V. Willett, son of the late postmaster, was appointed laborer June 21, 1898, at \$600 per annum, by order of the First Assistant Postmaster-General; also appointed a mechanic at \$2 a day on July 1, 1898, and was allowed three items aggregating \$46.15 for expenses incurred at Camp Alger before his appointment as military postal clerk at \$1,200, which occurred March 1, 1899, at which time he was assigned to duty at the Georgetown station, and was carried on the roll until the end of the fiscal year, June 30, 1899. (See Comptroller's letter, p. 34, line 13; p. 38, "pay roll of 8 mechanics;" p. 39, line 27; p. 40, lines 1 and 8.)

H. V. Willett, another son of the late postmaster, was also appointed

military postal clerk on September 9, 1898, at \$1,200, assigned to duty in the cashier's room of the Washington, D. C., city post-office, and was carried on the roll until June 30, 1899.

IRREGULARITY IN THE APPOINTMENT, COMPENSATION, AND PROMOTION  
OF OLIVER H. SMITH.

*November 20, 1897.*—Authority from First Assistant Postmaster-General's Office making allowance of \$600 per annum to provide for the appointment of Oliver H. Smith as a laborer, and in said authority statement is made that the free-delivery division will also make an allowance of \$2 per day to cover car fares and incidental expenses. (Smith reported November 23.)

*December 15, 1897.*—First Assistant's Office states that Oliver H. Smith has been detailed to assist in repairing, painting, and erecting street letter boxes, and that "he will be paid through your office at the rate of \$2 per day for every working day, commencing November 23."

*March 11, 1896.*—Authority from the First Assistant's office to pay the sum of \$30 to Oliver H. Smith for car fare in connection with the inspection of various stations and substations from March 1 to June 30, 1898.

*August 3, 1898.*—Authority from the First Assistant's office for the payment of necessary expenses of Smith incurred during July, 1898, for car fare, wagon hire, and meals in connection with handling military mail at Falls Church, Va., \$15.60.

*September 3, 1898.*—Authority from First Assistant's office for payment of \$12 on account of transportation, handling mail, meals, etc., during the month of August, 1898.

It appears from the records in the cashier's room of the Washington, D. C., post-office that, acting upon the authorization above cited, this man drew pay from November 23, 1897, to November 30, 1898, as follows:

First. The sum of \$600 from the appropriation for clerk hire (although appointed as laborer).

Second. Two dollars per diem for every working day on the mechanics' roll.

Third. Was paid an average of \$7.50 per month for car fare during the entire time.

Fourth. Was also granted, in addition to all this, two separate items for expenses at Camp Alger, one \$15.60, the other \$12.

Showing approximately that his compensation for one year was \$1,340.60.

No one has certified to the actual time Mr. Smith was employed during the year, nor has any statement been attached to his pay vouchers showing what particular services he rendered in return for his compensation. This party was continued in the dual capacity of clerk and mechanic until April 1, 1899, when he was promoted to finance clerk, at \$1,700 per annum. By what authority of law his original appointment or subsequent promotion was made I do not know.

In connection with this matter I desire to invite your attention to an attached copy of a letter dated December 20, 1898, from the cashier of the Washington, D. C., post-office, addressed to James P. Willett, postmaster, protesting as to irregularities in connection with Smith's appointment and payment. (Also see Comptroller's letter, p. 34, line

12; p. 35, line 18; p. 37, line 24, and p. 40, line 2; also p. 38, "Pay roll of 8 mechanics.")

DECEMBER 30, 1898.

Mr. JAMES P. WILLETT,  
*Postmaster, Washington, D. C.*

SIR: I desire to make a report with reference to an unpleasant occurrence which took place yesterday afternoon in the office of the cashier.

Mr. W. Scott Towers and Mr. Oliver H. Smith called together, and, as I supposed, in a friendly way. Mr. Smith said he wanted to get his money, meaning his per diem service of \$3 as a mechanic, free-delivery service. I informed him I had no authority to pay him, and reminded him I had told him a few days before that it would be necessary for him to obtain the usual letter from the Post-Office Department. Mr. Smith stated that General Heath said I did not need any more authority than I already had. I repeated I could not pay him, as I had no authority for the payment. To my surprise Mr. Towers here stated, "That is your answer, then. General Heath wants to know why you don't pay Mr. Smith, and has directed me to come here and find out and report to him," or words to that effect.

I immediately realized that Mr. Towers was present on purpose as a witness to the conversation with Mr. Smith on behalf of the First Assistant Postmaster-General, and replied that I would furnish General Heath with a full statement of Mr. Smith's case, but such requests should come through the postmaster. Mr. Towers said, "Shall I report, then, to General Heath you refuse to give him the information?" I stated I was under no obligations to take orders from Mr. Towers nor communicate with the Department through him, but I would write a statement and deliver it to the acting postmaster, you having left the building. Mr. Towers then made an effort to telephone the First Assistant Postmaster-General, but without effect.

Mr. Towers then stated he was in General Heath's room at the Department when Mr. Smith called and reported he could not get his money. General Heath then called up the salary and allowance division and was informed that no further authority was needed. General Heath had told him to come down with Mr. Smith and see why he could not get his pay.

When I saw that Mr. Towers was under the influence of liquor and disposed to be abusive, and as it was possible for a misunderstanding, I tried to close the matter up as soon as possible, and showed Mr. Smith and himself the papers in the case; informed him that Mr. Smith was paid from two or three separate sources; that the salary and allowance division had nothing to do with the amount in question, payments from that source being duly authorized; that it was a specific payment authorized from time to time by the free-delivery system, and hence General Heath's misunderstanding. They soon afterwards departed.

Mr. Towers claimed I was insulting. As to that, the following persons were present during the interview: Major Anderson, Mr. Duval, Charles Jackson, Miss Brown, and Mr. A. J. Hensey.

Should the matter be brought to your attention, I desire to make the following report upon the case of Mr. Smith:

Mr. Smith was appointed by General Heath, First Assistant Postmaster-General, November 20, 1897, "A. S.," salary and allowance division, as follows:

"I have this day allowed you \$600 per annum to provide for the appointment of Oliver H. Smith as laborer at the several stations connected with your office. Mr. Smith will act in a dual capacity, serving both clerks and carriers. The free-delivery division will also make an allowance of \$2 per day to cover car fares and incidental expenses for Mr. Smith, who is, I believe, to report to you on the morning of the 23d instant. This is the gentleman whose appointment has been frequently recommended by you."

Under date of December 15, 1897, "F-1270-L," free-delivery system, General Heath wrote as follows:

"Mr. Oliver H. Smith has been detailed to assist in repairing, painting, and erecting street letter boxes. He will be paid through your office, at the rate of \$2 per day for every working day, commencing November 23. At the end of each quarter you will notify this office of the amount paid Mr. Smith and the number of days he has been employed, so that certificate may be sent to the Auditor."

The legality of the above authorizations is open to question, as in the first he is appointed a laborer and paid from the allowance for "clerk hire;" in the second he is paid as per diem mechanic from the allowance for repairing street letter boxes. A person faithfully performing the duties of the one would be unable to



devote full time to the other. No one in the office seems desirous of keeping Mr. Smith's time or reporting same to the office of the cashier.

Notwithstanding the language of the appointment of Mr. Smith in the letter of November 20, 1897, the following allowance was made by General Heath, March 11, 1898, "A. W.," salary and allowance division:

"Your lump-sum allowance for miscellaneous purposes has this day been increased in the sum of \$30 to provide for the payment of car fare for Mr. Oliver H. Smith, in connection with the inspection of various stations and substations of your office from March 1 to June 30, 1898, in accordance with your request of the 10th instant."

In accordance with the above authorizations, Mr. Smith has been paid in full on account "clerk hire" to November 30, 1898, with an advance on account of December of \$20 as a per diem mechanic to September 30, 1898; for car fare \$52.50 to September 30, 1898, the allowance of March 11, 1898, having been continued by General Heath, October 4, 1898, "A. W.," salary and allowance division.

October 29, 1898, the Acting First Assistant Postmaster-General, "F-2880-L," free-delivery system, wrote as follows:

"This will be your authority to pay the mechanics at your office for services performed in connection with painting, repairing, and erecting street letter boxes during the month of October, as follows: Oliver H. Smith, \$52." \* \* \* Here follow the names and amounts of the other five mechanics.

November 16, 1898, the Acting First Assistant Postmaster-General, "F-2939-L," free-delivery system, wrote as follows:

"You will pay Messrs. Oliver H. Smith and Robert V. Willett, letter-box painters at your office, at the rate of \$2 per day for services performed during the first half of November. On the 20th instant certificate covering pay for the entire month will be sent to the Auditor."

It will be seen from the two foregoing letters that since the 1st of October specific instructions have been forwarded for payments to Mr. Smith in each instance.

During the past summer Mr. Smith was in service at Camp Alger, Virginia, military postal station. August 10, 1898, he rendered under oath the following statement as a "true and accurate account," which was paid by order of General Heath, August 8, 1898, "A. W.," salary and allowance division, from appropriation for military postal service:

"Necessary expenses incurred during July, 1898, for car fare, wagon hire, and meals in connection with handling military mail at Falls Church, \$15.60."

September 8, 1898, he was paid under oath the following account, authorized "A. G.," September 8, 1898, salary and allowance division, from appropriation for military postal service:

"Transportation, mails, and handling military mail at Camp Alger postal station for the month of August, 1898, \$12."

While so engaged it is difficult to see how his per diem expenses as a mechanic repairing street letter boxes was earned, yet payment was directed by General Heath, "F-2636-L," October 8, 1898, free-delivery system, as follows:

"I have yours of the 3d. This will be your authority to pay O. H. Smith \$158 for painting, repairing, and erecting street letter boxes during the quarter ended September 30, 1898. Certificate will be sent to the auditor."

Mr. Smith was also paid under oath the following account, authorized "A. W.," October 4, 1898, salary and allowance division, being the continuance of that of March 11, 1898:

"To expense for street-car fares for quarter ending September 30, 1898, \$22.50." Most of that time was spent at Camp Alger.

Mr. Smith was absent in Indiana for two or three weeks about election time; nevertheless, he drew his full per diem as a mechanic repairing street letter boxes. Per diem employees are not usually entitled to leave of absence under pay. Yet he was paid by order of General Heath, November 29, 1898, "F-2985-L," free-delivery system, as follows:

"This will be your authority to pay mechanics employed at your office for services performed during the month of November, as follows: Oliver H. Smith, \$52, etc."

The following letter is on file in this office, First Assistant Postmaster-General, December 5, 1898, "F-2967-L," free-delivery system, addressed to Mr. A. B. Coleman:

"Owing to the exhaustion of the amount of money set aside for painting and repairing letter boxes during the current fiscal year, I am compelled to discontinue the services of the letter-box painters with the close of business December 10 \* \* \*"

As has been shown, each payment to Mr. Smith since October 1 has been specifically authorized before payment, and as the appropriation is exhausted after December 10, and the services of the letter-box painters were to be discontinued with that date, I did not deem it advisable to make any payment to Mr. Smith until further advised.

Owing to the peculiar dual position of payments of Mr. Smith, and the possibility of one or the other series of payments being yet disallowed by the Auditor for the Post-Office Department, amounting to several hundred dollars, and which disallowance would be held against your bondsman and yourself personally, until relieved either by an act of Congress or a suitable defense in a court of law, should suit be instituted to recover same, as is required of the Auditor by statute, I have taken all precaution possible under the circumstances to keep the record of the cashier's office complete, and to make no payments to Mr. Smith except upon the written authority of your superior officers.

I regret that such an incident occurred, and that the Department did not communicate with you through the regular channels, and so have avoided any possible misunderstanding or misrepresentation with respect to the subject.

Very respectfully,

Cashier.

#### MISCELLANEOUS.

The following vouchers were authorized to be paid by the First Assistant Postmaster-General's Office under dates as appear below:

July 22, 1898, expenses of Perry S. Heath and George W. Beavers, incurred in visiting Philadelphia and New York on official business .....	\$87.25
August 10, 1898, expenses of George W. Beavers, official business at Newark, N. J. ....	8.70
September 30, 1898, expenses of George W. Beavers, traveling on official business .....	17.75
October 13, 1898, expenses of George W. Beavers, traveling on official business .....	42.35
December 19, 1898, expenses of George W. Beavers, on postal tubes and canceling machine .....	11.00
February 10, 1899, expenses of George W. Beavers, New York .....	12.80
March 13, 1899, expenses of George W. Beavers, Massachusetts .....	17.30
May 15, 1899, expenses of George W. Beavers, Philadelphia and Hartford .....	20.15
Total (Beaver's expenses) .....	180.05
May 16, 1898, expenses of G. D. Fisher (salary and allowance division), at Philadelphia, Scranton, and Wilkesbarre, Pa .....	30.15
July 26, 1898, expenses of M. W. Louis and Blain W. Taylor in traveling on official business .....	50.15
September 21, 1898, expenses of M. W. Louis and Blain W. Taylor in traveling on official business .....	34.75
March 31, 1898, expenses of M. W. Louis (supply division), Brooklyn, N. Y. ....	23.15
October 20, 1898, expenses of James A. Sullivan, employed on first and second class offices .....	54.07
October 21, 1898, expenses of Force & Co., for numbering machines, salary and allowance division .....	4.75
November 3, 1898, expenses of G. A. Flad, transportation from Washington, D. C., to Cleveland, Ohio, and return (safe and lock expert) .....	34.40
November 3, 1898, expenses of A. S. Riddle, for inspection of post-office safes, Cleveland, Ohio .....	10.25

These vouchers of expenses do not appear to be itemized in a proper manner nor is the necessity for the expenditure of this money by the Washington City post-office apparent. A full and complete explanation should be made, especially as many of the parties drawing money on these accounts are officials or clerks receiving salary from the Post-Office Department.

(In pencil: See Comptroller's letter, p. 35, "Traveling expenses.")

## CLEANERS.

The following-named persons were placed on the pay roll of the Washington, D. C., post-office and designated as cleaners, under authority of the First Assistant Postmaster-General, to be charged to the appropriation for miscellaneous expenses:

	Per annum.
July 27, 1898, Emma Janes.....	\$600
July 27, 1898, Fannie R. Winans.....	600
September 6, 1898, Fannie L. Jeffrey.....	600
September 7, 1898, Laura A. Nevitt.....	600
January 9, 1899, Lizzie Crowther.....	400
January 25, 1899, Frances Daly.....	480
March 14, 1899, Mrs. Helen Fenton.....	600

I find that the above-named parties are on the pay roll of the Washington, D. C., post-office and have received pay from the date of their appointment to the date of inspection of said office, June 30, 1899. Upon making inquiry of the postmaster as to the nature of the services performed by these parties and where they were employed, he was unable to give any information on the subject, nor was anyone connected with the Washington, D. C., post-office able to give any information as to where they were employed or the nature of their work. I am of the opinion that practically no service whatever has been rendered for the money expended as above stated. (See Comptroller's letter, p. 35, from line 6 to 17, inclusive.)

## LEASE.

By the terms of a lease executed July 28, 1897, by the Union Building Company, of Washington, D. C., and by the Postmaster-General, September 13, 1897, the premises on G street, heretofore leased by the Post-Office Department for the main office, Washington, D. C., was leased for the period of one year from and after October 1, 1897, for the sum of \$20,000 per annum, payable monthly, with the privilege to cancel same to take effect May 1, 1898, by giving three months' notice. To be canceled at the option of the Postmaster-General by notice in writing to the owners.

On July 14, 1898, the postmaster at Washington, D. C., was authorized by the First Assistant Postmaster-General to pay rental monthly at the rate of \$22,500 from July 1, 1898, until otherwise directed. This authority dated back overlapping the term of the lease three months, resulting in a loss to the Government from July 1 to September 30, 1898, of \$625, the difference between \$20,000, as called for by the lease, which did not expire until October 1, 1898, and \$22,500, as authorized to be paid by the First Assistant Postmaster-General. In addition thereto the city post office was moved to its new quarters on the 30th of November, 1898, but rental for these premises was continued and paid until the 1st day of January, 1899, at the rate of \$22,500 per annum, thus showing a further sum of \$1,895.38, which was paid for the month of December, or a total of \$2,520.38. (In pencil: See Comptroller's letter, p. 34, art. 13, rent.)

## INCIDENTAL EXPENSE: FREE-DELIVERY SERVICE.

Authority from the office of the First Assistant Postmaster-General to pay the following-named persons per diem in connection with claims of letter carriers for overtime charges:

July 14, 1898, Katherine Endsley, 13 days, \$5 per day .....	\$65
July 30, 1898, Katherine Endsley, 13 days, \$5 per day .....	65
August 15, 1898, Katherine Endsley, 13 days, \$5 per day .....	65
August 30, 1898, Katherine Endsley, 14 days, \$5 per day .....	70
September 14, 1898, Katherine Endsley, 13 days, \$5 per day .....	65
September 29, 1898, Katherine Endsley, 13 days, \$5 per day .....	65
October 14, 1898, Katherine Endsley, 13 days, \$5 per day .....	65
October 29, 1898, Katherine Endsley, 13 days, \$5 per day .....	65
November 14, 1898, Katherine Endsley, 13 days, \$5 per day .....	65
November 29, 1898, Katherine Endsley, 13 days, \$5 per day .....	65
December 14, 1898, Katherine Endsley, 13 days, \$5 per day .....	65
December 30, 1898, Katherine Endsley, 14 days, \$5 per day .....	70
January 13, 1899, Katherine Endsley, 12 days, \$5 per day .....	60
January 30, 1899, Katherine Endsley, 14 days, \$5 per day .....	70
February 14, 1899, Katherine Endsley, 13 days, \$5 per day .....	65
February 27, 1899, Katherine Endsley, 11 days, \$5 per day .....	55
March 14, 1899, Katherine Endsley, 13 days, \$5 per day .....	65
March 30, 1899, Katherine Endsley, 14 days, \$5 per day .....	70
April 14, 1899, Katherine Endsley, 14 days, \$5 per day .....	70
April 28, 1899, Katherine Endsley, 12 days, \$5 per day .....	60

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1,305

## CHARLES A. MACHEN.

July 14, 1898, Charles A. Machen, 13 days, \$4 per day .....	52
July 30, 1898, Charles A. Machen, 13 days, \$4 per day .....	52
August 15, 1898, Charles A. Machen, 13 days, \$4 per day .....	52
August 30, 1898, Charles A. Machen, 14 days, \$4 per day .....	56
September 14, 1898, Charles A. Machen, 13 days, \$4 per day .....	52
September 29, 1898, Charles A. Machen, 13 days, \$4 per day .....	52
October 14, 1898, Charles A. Machen, 13 days, \$4 per day .....	52
October 29, 1898, Charles A. Machen, 13 days, \$4 per day .....	52
November 14, 1898, Charles A. Machen, 13 days, \$4 per day .....	52
November 29, 1898, Charles A. Machen, 13 days, \$4 per day .....	52
December 14, 1898, Charles A. Machen, 13 days, \$4 per day .....	52
December 30, 1898, Charles A. Machen, 14 days, \$4 per day .....	56
January 13, 1899, Charles A. Machen, 12 days, \$4 per day .....	48
January 30, 1899, Charles A. Machen, 14 days, \$4 per day .....	56
February 14, 1899, Charles A. Machen, 13 days, \$4 per day .....	52
February 27, 1899, Charles A. Machen, 11 days, \$4 per day .....	44
March 14, 1899, Charles A. Machen, 13 days, \$4 per day .....	52
March 30, 1899, Charles A. Machen, 14 days, \$4 per day .....	56
April 14, 1899, Charles A. Machen, 13 days, \$4 per day .....	52
April 28, 1899, Charles A. Machen, 12 days, \$4 per day .....	48

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1,040

## A. B. HURT.

July 30, 1898, A. B. Hurt, 26 days, \$4 per day .....	\$104
August 30, 1898, A. B. Hurt, 27 days, \$4 per day .....	108
September 29, 1898, A. B. Hurt, 26 days, \$4 per day .....	104
October 29, 1898, A. B. Hurt, 26 days, \$4 per day .....	104
November 29, 1898, A. B. Hurt, 26 days, \$4 per day .....	104
December 30, 1898, A. B. Hurt, 27 days, \$4 per day .....	108
January 30, 1899, A. B. Hurt, 26 days, \$4 per day .....	104
February 27, 1899, A. B. Hurt, 24 days, \$4 per day .....	96
March 30, 1899, A. B. Hurt, 27 days, \$4 per day .....	108
April 28, 1899, A. B. Hurt, 25 days, \$4 per day .....	100

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1,040

## H. L. LORENZ.

July 30, 1898, H. L. Lorenz, 26 days, \$4 per day .....	\$104
August 30, 1898, H. L. Lorenz, 27 days, \$4 per day .....	108
September 29, 1898, H. L. Lorenz, 26 days, \$4 per day .....	104
October 14, 1898, H. L. Lorenz, 13 days, \$4 per day .....	52
October 29, 1898, H. L. Lorenz, 13 days, \$4 per day .....	52
November 29, 1898, H. L. Lorenz, 26 days, \$4 per day .....	104
December 30, 1898, H. L. Lorenz, 27 days, \$4 per day .....	108
January 30, 1899, H. L. Lorenz, 26 days, \$4 per day .....	104
February 27, 1899, H. L. Lorenz, 24 days, \$4 per day .....	96
March 30, 1899, H. L. Lorenz, 27 days, \$4 per day .....	108
April 28, 1899, H. L. Lorenz, 25 days, \$4 per day .....	100

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1,040

## JOHN S. LEECH.

October 13, John S. Leech, 30 days, \$3 per day .....	90
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## F. W. WAIT.

April 23, 1898, F. W. Wait, 10 days, \$4 per day .....	40
January 27, 1899, F. W. Wait, 25 days, \$4 per day .....	100

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140

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Total..... 4,685

From the foregoing list of incidental expenses connected with the free-delivery service it will be observed that the Washington, D. C., post-office has disbursed from July 1, 1898, to May 1, 1899, a sum of money aggregating \$4,685 without authority of law, as will be seen by reference to a comment on this matter made by the Hon. R. J. Tracewell, Comptroller of the Treasury, in his letter to Postmaster Willett, under date of April 26, 1899, as follows:

"The above vouchers are for services on letter-carrier claims. Expenses can not be allowed without affidavits showing all the items and the date and amount of each item. If these are per diems in lieu of subsistence, cite the law authorizing payment. Furnish a statement from each of the above-named persons showing what payments have been received by them from other disbursing officers of the Government for services or expenses covering the period from July 1 to September 30, 1898. C. A. Machen, H. L. Lorenz, and A. B. Hurt are paid per diems covering the same period by the disbursing clerk of the Department of Justice from the appropriation for "Defending suits in claims against the United States" for services in letter-carrier claims before the Court of Claims. These are understood to be the same services for which you have paid them. It appears that no payments should be made by you for salary, per diem, or expenses on account of work or for attorneys or commissioners for the Court of Claims, a specific appropriation having been made for that purpose under the control of the Attorney-General. All such vouchers, when correct in form and according to law, should, it seems, be paid by the disbursing clerk of the Department of Justice from the appropriation for defending suits in claims against the United States. Also section 3682, Revised Statutes, prohibits payment of salary "or per diem" from this appropriation "in your account" for "incidental expenses, free-delivery service."

It should be borne in mind that this comment of Mr. Tracewell has reference only to items of this character paid during the quarter ending September 30, 1898. What the nature of these services were or where performed I can not state; suffice it to say, however, that these parties continued to draw pay until the receipt of Comptroller Tracewell's letter above referred to. The necessity for such services suddenly and entirely ceased with the final payment for the month of April, and no similar claims have since been presented. Inasmuch

as the above-described letter from Comptroller Tracewell bears on matters under consideration, I have concluded to attach a copy herewith for your information. The letter needs no additional explanation or comment from me; it speaks for itself.

Revision No. 2824, }  
T. W. C. }

TREASURY DEPARTMENT,  
OFFICE OF COMPTROLLER OF THE TREASURY,  
Washington, D. C., April 26, 1899.

JAMES P. WILLETT, Esq.,  
Postmaster, Washington, D. C.

SIR: Your account covering the period from July 1 to September 30, 1898, settled by the Auditor for the Post-Office Department, per certificate No. 18992, has been withdrawn from the files for revision on my own motion. Your attention is invited to the following items, and before final action is taken on the same you are requested to furnish such explanation as you may desire to have considered.

#### ARTICLE 10. *Special-delivery service.*

Vouchers 1, 2, and 3. Pay rolls of special-delivery messengers..... \$2,409.84

No appropriation seems to have been provided for this service. (See sec. 3861, Rev. Stat., and postal appropriation act, June 13, 1898.) The act of March 3, 1895 (Supp. Rev. Stat., 484), authorizes a method of payment, but does not provide an appropriation. To what appropriation have you charged this amount? If you intended to charge the pay rolls to appropriation for "Free-delivery service," charges should have been made under article 24, section 3861, Revised Statutes, which does not authorize payment of any bill from receipts of your office unless covered by an appropriation. (Also see sec. 4054, Rev. Stat.)

#### ARTICLE 12. *Clerks in post-offices.*

The appropriation reads: "For compensation to clerks in post-offices." Your pay rolls show only the name of each person, total amount paid during a quarter, and signature of payee. Pay rolls should show capacity in which each person is employed, annual salary, and dates of service. If this information is not given, the accounting officers can not determine whether payments are according to law and correctly computed.

Voucher 11. W. B. Hassenberg, "laborer" ..... \$9.78

The appropriation does not seem to provide for laborers. It is for "clerks" only. The service was July 15 to July 20, 1898; but the authority seems to be dated September 7, 1898. Authorization should always be in advance.

Voucher 12. J. E. Jones, "physician" ..... \$115.49

The appropriation provides for "clerks" only. Please state by what authority of law you paid a physician from the appropriation for "clerks." Physicians do not appear to be authorized under any appropriation for the postal service. Authority from the Post-Office Department is not sufficient unless the disbursement is according to law.

Pay roll 7. Oliver H. Smith..... \$150.00

Pay roll 8. Robert V. Willett ..... 150.00

Furnish statements from these persons showing in what capacity they were employed and the dates of actual service July 1 to September 30, 1898; also showing where service was performed each day.

#### ARTICLE 13.—*Rent.*

Vouchers 1 to 7. Main office and stations B, C, D, and F ..... \$6,700.00

Voucher 6, including subvouchers 1 to 42, rent of substations ..... 2,526.64

Please state whether all of these rent accounts are covered by contracts. Also state whether the contracts or leases are on file with the Auditor for the Post-Office Department, as required by section 3743, Revised Statutes, as amended by act of July 31, 1894 (28 Stat., 210). You should not pay rent bills unless properly authorized under a contract in force for the time covered. Does the amount paid as rent of substations cover rent alone? If the so-called rent covers fuel, light, and clerical services, by what authority of law are such payments made?

ARTICLE 16.—*Advertising.*

Vouchers 1 and 2. Washington Post.....	\$170
Vouchers 3 and 4. Evening Star.....	170

Under the act of June 20, 1878 (20 Stat., 216), you should furnish affidavits of the publishers showing that the rates do not exceed the commercial rates charged to individuals, with the usual discounts.

ARTICLE 19.—*Miscellaneous expenses.*

Voucher (not numbered). Wm. Warren, for clerical services on Post-Office Directory.....	\$89.68
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This voucher was paid from the appropriation for "miscellaneous expenses," contrary to the provisions of section 3682, Revised Statutes, which reads as follows:

"No moneys appropriated for contingent, incidental, or miscellaneous purposes shall be expended or paid for official or clerical compensation."

Voucher 11. Fannie R. Winans, cleaning.....	\$138.59
Voucher 16. Laura E. Nevitt, cleaning.....	37.50
Voucher 17. Emma Janes, cleaning.....	136.96
Voucher 18. Fannie L. Jeffrey, cleaning.....	39.13

These vouchers do not show what sort of cleaning was done nor where it was done. Please furnish an affidavit from each of the above-named persons showing what services were performed, July 1 to September 30, 1898, giving the exact dates, the nature of the services, and where performed each day. Show the rates of pay in each case. Under section 3682, Revised Statutes, salaries should not be paid from the appropriation for miscellaneous expenses.

Voucher 23. O. H. Smith, street-car tickets.....	\$22.50
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Furnish an affidavit from Mr. Smith showing when, where, and on what service car tickets were used. Car tickets should be purchased from a street-car company, and the vouchers should be signed by the treasurer of the company. If possible furnish such a subvoucher in this case.

Voucher 24. Western Union Telegraph Company.....	\$13.69
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Please furnish copies of the telegrams. (4 Comp. Dec., 233.)

## TRAVELING EXPENSES.

NOTE.—These vouchers appear to have been allowed by the Auditor as "miscellaneous expenses."

Voucher 1. P. S. Heath and G. W. Beavers, expenses.....	\$87.25
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Please furnish a statement from these officials showing all the items of expense and the amount of each item. All accounts should be itemized. (4 Comp. Dec., 159.) If possible the expense accounts should be separated, so as to show an itemized statement from each officer.

Voucher 2. M. W. Louis and B. W. Taylor, fees to waiters and porters....	\$1.50
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Please itemize statement showing amounts paid to waiters and amounts paid to porters, with dates of all the items. Fees to waiters are not proper charges against the Government.

Fees to porters on sleeping cars are allowed, not exceeding 25 cents a day. Separate the two accounts, if possible, so as to show amount expended by each officer.

Voucher 3. G. W. Beavers, traveling expenses.....	\$8.70
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Furnish an affidavit from Mr. Beavers showing all the items and the amount of each item. Also furnish copies of the telegrams charged by him.

Voucher 5. G. W. Beavers, expenses.....	\$17.75
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Furnish itemized statement, as required for voucher 3.

## ACCOUNT OF MAIL-BAG REPAIR SHOPS.

Article 20. Mail bags, etc.....	\$25,860.64
Article 21. Locks and keys.....	9,037.42

This work being done on mail bags used all over the country, by what authority of law are the disbursements made from the receipts of your office? It seems that under section 3861, Revised Statutes, you should only pay those expenses incurred in your own office.

It seems that these disbursements should have been made by the disbursing clerk of the Post-Office Department.

Some of these pay rolls are signed in blank. Vouchers should never be signed in that way. Please state to what extent that is done in your office.

#### RAILWAY MAIL SERVICE.

Article 22. Railway post-office clerks ..... \$74,769

As in articles 21 and 22. Also in future you should show on the pay rolls the grade, annual salary, and dates of service of each person if your office continues to make the disbursements under this appropriation.

#### ARTICLE 24.—Free-delivery service.

NOTE.—In future the pay rolls of letter carriers should show the grade, annual salary, and dates of service of each carrier.

Pay roll 2. A. A. Erb, July 1 to September 10, 1898 ..... \$195.65

It appears that this letter carrier died September 10, 1898. Voucher shows payment to him up to and including the day of his death. Is this a correct voucher? Was not payment made to administrator or personal representative? If so, furnish correct vouchers from the persons who received the money. Letters of administration required if any were issued. If not, furnish affidavit of next of kin, showing all the facts.

Pay roll 4. W. T. Schlosser, letter carrier ..... \$54.35

It appears that this letter carrier died July 20, 1898. Furnish evidence as called for in case of A. A. Erb.

NOTE.—It appears that receipts were signed in blank by persons on your pay rolls. By what legal authority is this done? No person should be required to sign vouchers in blank, leaving amounts and dates to be filled in over their signatures. The existence of such a practice makes receipts of little value.

Voucher 4. John E. Stanton, 6 days ..... \$9.78

It appears that this carrier actually served only one day, September 9, 1898, but he signs for five other carriers employed on same day. Furnish subvouchers from the other carriers.

#### INCIDENTAL EXPENSES, FREE-DELIVERY SERVICE.

[July 1 to September 30, 1898.]

Voucher 2. Katherine Endsley, expenses, \$5 a day .....	\$65
Voucher 6. Katherine Endsley, expenses, \$5 a day .....	65
Voucher 9. Katherine Endsley, expenses, \$5 a day .....	65
Voucher 17. Katherine Endsley, expenses, \$5 a day .....	70
Voucher 26. Katherine Endsley, expenses, \$5 a day .....	65
Voucher 30. Katherine Endsley, expenses, \$5 a day .....	65
Voucher 3. Charles A. Machen, expenses, \$4 a day .....	52
Voucher 5. Charles A. Machen, expenses, \$4 a day .....	52
Voucher 10. Charles A. Machen, expenses, \$4 a day .....	52
Voucher 14. Charles A. Machen, expenses, \$4 a day .....	56
Voucher 27. Charles A. Machen, expenses, \$4 a day .....	52
Voucher 31. Charles A. Machen, expenses, \$4 a day .....	52
Voucher 8. A. B. Hurt, expenses .....	104
Voucher 15. A. B. Hurt, expenses .....	108
Voucher 33. A. B. Hurt, expenses .....	104
Voucher 7. H. L. Lorenz, expenses, \$4 a day .....	104
Voucher 16. H. L. Lorenz, expenses, \$4 a day .....	108
Voucher 29. H. L. Lorenz, expenses, \$4 a day .....	104
Voucher 38. John S. Leech, expenses, \$3 a day .....	90

The above vouchers are for services on letter-carrier claims. Expenses can not be allowed without affidavits showing all the items and the date and amount of each item. If these are per diems in lieu of subsistence, cite the law authorizing



payment. Furnish a statement from each of the above-named persons showing what payments have been received by them from other disbursing officers of the Government for services or expenses covering the period from July 1 to September 30, 1898. C. A. Machen, H. L. Lorenz, and A. B. Hurt are paid per diems covering the same period by the disbursing clerk of the Department of Justice from the appropriation for "Defending suits in claims against the United States," for services in letter-carrier claims before the Court of Claims. These are understood to be the same services for which you have paid them. It appears that no payments should be made by you for salary, per diem, or expenses on account of work by or for attorneys or commissioners for the Court of Claims, a specific appropriation having been made for that purpose under the control of the Attorney-General. All such vouchers, when correct in form and according to law, should, it seems, be paid by the disbursing clerk of the Department of Justice from the appropriation for defending suits in claims against the United States. Also section 3682, Revised Statutes, prohibits payment of salary "or per diem" from this appropriation "in your account" for "incidental expenses free-delivery service."

Voucher 36. Pay roll of 8 mechanics ..... \$1,024

The appropriation act provides that these mechanics shall be "exclusively employed in repairing boxes and locks and erecting boxes, planting posts and pedestals." Please furnish an affidavit from each person on said roll showing what official work was done on each day during the quarter and where the service was performed each day. O. H. Smith and Robert V. Willett, paid as mechanics, are also paid as clerks or laborers covering the same period. (See pay rolls with article 12. Also see sections 1764 and 1765, Revised Statutes.)

Voucher 11. Repairing letter boxes.....	\$4.00
Voucher 19. Repairing letter boxes.....	.50
Voucher 21. Repairing letter boxes.....	1.50
Voucher 22. Repairing letter boxes.....	3.00
Voucher 35. Repairing letter boxes.....	15.15

What is your authority of law for paying these bills?

A specific appropriation provides salaried mechanics to do this work. The appropriation for salaried mechanics appears to be exclusive. Why was the work not done by them?

Vouchers 23, 24, and 25. Expenses going to Wheeling, W. Va., to repair letter boxes..... \$72

Why was it necessary to send men to Wheeling for this purpose? If necessary, why were the expenses not paid by postmaster at Wheeling, as they relate to his office? This appropriation does not appear to authorize traveling expenses.

#### MILITARY POSTAL SERVICE—EXPENSES OF POSTAL CLERKS.

Voucher 1. Nathan A. C. Smith.....	\$23.10
Voucher 2. Joseph Randall.....	15.50
Voucher 3. Thomas H. a'Becket.....	10.85
Voucher 4. Charles W. McWhorter.....	14.65
Voucher 5. O. H. Smith.....	15.60
Voucher 6. T. C. Homiller.....	20.50
Voucher 7. C. C. Mayer.....	15.20
Voucher 8. Robert V. Willett.....	19.80
Voucher 9. Luke Thompson.....	7.75
Voucher 11. L. F. Flynn.....	10.85
Voucher 17. Joseph Randall.....	15.50
Voucher 18. L. E. Flynn.....	10.85
Voucher 19. Robert V. Willett.....	22.10
Voucher 20. O. H. Smith.....	12.00
Voucher 21. C. W. McWhorter.....	15.00
Voucher 22. Thomas H. a'Becket.....	10.85
Voucher 23. Luke Thompson.....	7.75
Voucher 26. C. C. Mayer.....	4.90
Voucher 27. T. C. Homiller.....	29.05
Voucher 37. Robert V. Willett.....	4.25
Voucher 38. T. C. Homiller.....	5.70
Voucher 41. L. E. Flynn.....	4.20
Voucher 42. Luke Thompson.....	2.00
Voucher 44. Joseph Randall.....	7.00

The above vouchers are not completely itemized. Furnish a statement from each postal clerk showing all the items of his account, with the date and amount of each item. Also show where expenses for meals and other items were incurred. Most of the above vouchers appear to be for expenses at Falls Church and Camp Alger. The clerks should be careful to show where each meal was taken. Board at headquarters not allowed unless expressly authorized by law.

Voucher 46. W. S. Lerner, drug bill ..... \$2. 65

These charges for seidlitz powders, pills, pennyroyal, calomel, etc., are personal expenses not chargeable to the United States.

Voucher 30. C. I. Dawson, per diem, at \$4, July 1 to 10, 1898. .... \$40. 00

There appears to be no law authorizing per diems in lieu of expenses under this appropriation. Actual expenses might be allowed on proper vouchers.

Voucher 10. Fidelity and Deposit Company, bond ..... \$25. 50

Voucher 13. American Bonding and Trust Company, bonds ..... 61. 50

Voucher 28. American Bonding and Trust Company, bonds ..... 20. 00

Voucher 29. American Bonding and Trust Company, bonds ..... 20. 50

Expenses of official bonds are not chargeable to the United States. (2 Comp. Dec., 262; 140 U. S., 171.)

Referring to vouchers paid by check, in future please indicate on each voucher the number and date of check and name of depository. Attention is invited to section 3848, Revised Statutes, requiring deposits to be made with Treasurer of the United States at least once a week. It appears that deposits have not been made oftener than once a month. (Also see section 139, Postal Laws and Regulations, and page 929, Postal Guide of 1899.) Items should be explained in writing in regular order, referring to article and voucher numbers and amounts.

An early reply is requested, within twenty days, if possible.

Respectfully, yours,

R. J. TRACEWELL, *Comptroller.*

TREASURY DEPARTMENT,  
OFFICE OF COMPTROLLER OF THE TREASURY,  
Washington, D. C., May 2, 1899.

JAMES P. WILLETT, Esq.,  
*Postmaster, Washington, D. C.*

SIR: Referring to your account for the quarter ended September 30, 1898, you are requested to furnish further evidence in regard to the "military postal service" in addition to what was called for by me in my letter of the 26th ultimo.

Please furnish a statement, to be signed by you or some other official of your office having personal knowledge as to the facts, showing where each person on the military pay roll was employed, and on what particular duty, July 1 to September 30, 1898.

If in case of any particular employees you do not know the facts, please furnish affidavits from such employees giving the facts desired.

Respectfully, yours,

R. J. TRACEWELL,  
*Comptroller.*

Upon the receipt of the above letters from the Comptroller the cashier of the Washington post-office suspended all payments to the parties therein mentioned, and called upon them to furnish the affidavits required. The cashier was, however, required to continue these payments under direct written orders from the postmaster, who stated that he was verbally instructed in this action by the First Assistant Postmaster-General, but the payments were made under the cashier's protest. See copy of postmaster's letters, as follows:

WASHINGTON CITY POST-OFFICE,  
OFFICE OF THE POSTMASTER,  
Washington, D. C., May 9, 1899.

Mr. S. W. TULLOCH,  
*Cashier, City Post-Office.*

SIR: You are directed to continue to pay, in accordance with letters of authority received from the Department making appointments thereto, such persons as are

borne on our several rolls, it being the purpose of the Department to have such payments of salary made on the days when they fall due, without delay, and you will not take action to the contrary unless directed to do so by me.

Very respectfully,

JAMES P. WILLETT, *Postmaster.*

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WASHINGTON CITY POST-OFFICE.

OFFICE OF THE POSTMASTER,

Washington, D. C., May 9, 1899.

Mr. S. W. TULLOCH,

*Cashier, City Post-Office.*

SIR: As I have been verbally informed that the Post-Office Department has satisfactorily adjusted the accounts relating to payment of clerks in the military postal service in this office, some of which are held up for revision by the honorable Comptroller of the Treasury, you are hereby directed to continue to make payments to all clerks in this service whose names are borne on our rolls.

Very respectfully,

JAMES P. WILLETT, *Postmaster.*

In conclusion I wish to state that the files of the cashier's office show full, direct, and positive orders from superior authority for the disbursement of all of the questionable items mentioned in this report.

The responsibility for the many illegal appointments, the payment of two salaries to one and the same person, and the disbursement of thousands of dollars for which practically no service was performed should be placed where it properly belongs and the many abuses corrected. I leave the matter in your hands in order that you may give such further direction to the investigation as the gravity of the situation calls for.

Very respectfully,

WM. B. SMITH,  
*Inspector in Charge.*

*Report of Inspector Little on the annual inspection of the Washington, D. C., post-office, completed July 31, 1900.*

[Subject: Inspection of the Post-Office and Stations at Washington, D. C. Case No. 352,353-C.]

WASHINGTON, D. C., July 31, 1900.

Capt. WM. B. SMITH,

*Inspector in Charge, Washington, D. C.*

SIR: I have the honor to transmit herewith Form 573, covering an inspection of the post-office at Washington, D. C., to include business of the 31st instant; also a brief report of inspection of each of the 42 substations and 7 stations connected with the office.

A number of these last-named inspections were made during May and June, 1900, as time could be taken from other work, but the larger number have been made since the 10th instant.

Of the substations it can be said that generally they were found in excellent condition.

At No. 3, register of money orders issued had not been written up for five days.

At No. 20, there was a shortage of 25 cents in postal funds.

At No. 25, register of money orders issued not written up for eight days.

At No. 27, 15 cents short in postal account and 3 cents over on money-order account.

At No. 35, 32 cents short on postal account.

At No. 37, register of money orders issued not written up for four days.

At No. 38, \$10.36 short on postal account.

At No. 39, \$5.83 short on postal account.

At No. 46, \$8.79 short on postal account.

At Nos. 10 and 28, the money-order stamps were found worn and new ones have been ordered.

All the shortages were made good immediately and the records brought up to date.

At Station A (Georgetown), which is located in a Government building, some changes appear desirable in order to promote the efficiency of the service.

Mr. W. A. Hutchins, formerly superintendent of this station, was reduced some time since to the position of "foreman," at \$1,200 per annum.

He is employed in assisting at the general delivery, facing up mail, and in visiting the city post-office to secure postage stamps and other stamped paper, of which he has charge.

He can not issue a money order, or make out a report, and never was able to do so when superintendent.

His services are not entitled to a compensation of \$1,200, and it should be reduced at least \$200.

Mr. M. S. Williams, borne on the roster as money-order clerk, can not perform the duties of that position, and has been employed as stamp clerk.

He is too infirm to fill that position satisfactorily, and should be removed for the good of the service.

The name of Mary Maney appears on the roster as a laborer at this station, at \$500; also Annie E. Drury, as janitor, at \$500.

One of these women can do all the cleaning and dusting necessary.

The services of Miss Maney should be dispensed with. Miss Kate E. Watts is also assigned to this station as a laborer, at \$600 per annum, and is rendering good service as a clerk, but her employment or that of some other competent clerk is necessary to make up the deficiencies of Hutchins and Williams.

Stations B, C, and D have no superfluous force, and the employees appear to be active and efficient.

Station E has no employees other than a superintendent, at \$300 per annum, with one carrier attached to the branch.

A recommendation for the removal of Charles A. Becker, the superintendent, would have been made on account of his personal habits and the general lack of order about the station, but action had already been taken by the postmaster and a new site and superintendent selected.

Station F has sufficient force to properly handle its business, with 12 carriers, and its employees are competent and efficient.

Station G has 14 clerks, including the superintendent; 3 laborers at \$700 each, 1 at \$500, and 1 janitor at \$600. While this branch does a large business, with 34 carriers attached, I am satisfied that at least 2 laborers could be dispensed with without detriment to the service.

A complete roster of the main office, stations, and substations shows a total force of 650, divided as follows:

Clerks in charge of substations.....	43
Letter carriers.....	205
Superintendents and clerks at stations.....	49
Laborers at stations.....	10
Janitors at stations.....	4
Salaried employees at main office.....	275
Laborers at main office.....	61
Names borne on "Special military roll".....	3

It was found that no specified allowance for clerk hire had been given this office for present year, as is usually done at all offices of the first and second class.

In accordance with instructions contained in the regular "Inspection blank, Form 573," I have examined into this roster carefully with a view of suggesting such changes as might reduce the expenditures without impairing the efficiency of the service, and will make a separate report thereon, giving in this report a brief outline of facts on which it will be based.

The laborers and janitors for the entire office appear as follows:

Three janitors, at \$400 per annum.....	\$1,200
Six janitors, at \$500 per annum.....	3,000
Two janitors, at \$700 per annum.....	1,400
One laborer, at \$400 per annum.....	400
Four laborers, at \$500 per annum.....	2,000
Thirty laborers, at \$600 per annum.....	18,000
Twenty-nine laborers, at \$700 per annum.....	20,300
<b>Total.....</b>	<b>46,300</b>

Two of these laborers, as before mentioned—Aunie E. Drury, at \$500, and Mary E. Maney, at \$500—have been assigned to Station A as cleaners, one reporting for service at 4 p. m. and leaving “when done,” the other at 7 a. m. and leaving when done.

Lizzie Crowther, at \$400, cleans three rooms on mezzanine floor of the post-office building.

Frances Daily, at \$500, cleans assistant postmaster's and stamp rooms.

Theresa Dunic, at \$400, cleans offices of superintendent of mails and free delivery.

Lena Holmes, at \$500, cleans money-order office and lobby.

Fannie L. Jeffrey, at \$600, cleans Mr. Vickery's rooms.

Susie Pondexter, at \$400, cleans postmaster's rooms on first and mezzanine floors.

The six last named report at 5 p. m. and leave “when done.”

Their work is identically the same as that performed by the charwomen of the Post-Office Department at \$240 per annum, 27 of whom sweep and dust the entire Post-Office building—above the ground floor.

The work done by these women could readily be performed by 4 (1 at Station A and 3 at the city post-office), at a cost of \$960 instead of \$3,800 now paid.

The general force of laborers employed in cleaning glass, brass, and wood work in the lobby of the post-office could probably be reduced one-third and everything kept clean.

The foreman of these laborers, Mr. Oliver H. Smith, is borne on the roster as finance clerk, at \$1,700, yet has an assistant foreman (W. E. Dunn) at \$700, who is not needed.

On the roster appear the following names:

Ed. S. Allen, bookkeeper, \$1,400. His actual employment is that of electrical engineer, for installing canceling machines at Washington and other points.

George E. Barnard, bookkeeper, at \$1,600; inspection of canceling machines.

H. C. Graff, bookkeeper, at \$1,600; inspection of canceling machines.

E. B. Commons, finance clerk, at \$1,500; on duty in Porto Rico.

J. A. Holmes, secretary and stenographer, at \$1,400; detailed salary and allowance division, Post-Office Department.

Henry Wood, distributor, at \$900; detailed salary and allowance division, Post-Office Department.

C. H. James, jr., physician and general utility clerk, at \$1,700. (See below.)

Louis Kemper, bookkeeper, at \$1,700; inspector of stations.

Dorothy Lamont, bookkeeper, at \$1,400; detailed Paris Exposition.

Bessie R. Parke, bookkeeper, at \$1,200; detailed Post-Office Department.

Reuben T. Reeve, record clerk, at \$1,000; detailed Post-Office Department.

D. C. Saunders, bookkeeper, at \$1,400; detailed Porto Rico.

Laura B. Winder, inquiry clerk, at \$900; detailed Post-Office Department.

Fred L. Templeton, letter distributor, at \$1,200; detailed supply division, Post-Office Department.

Matthias J. Bundy, laborer, at \$600; detailed supply division, Post-Office Department.

Edwin C. Fowler, bookkeeper, at \$1,700. (See below.)

Emma S. Spates, nixie clerk, at \$900. (See below.)

Mr. Fowler was transferred from the Post-Office Department on account of his physical infirmities, and the only work that could be found that he was capable of doing was as assistant to the timekeeper in the free delivery.

The latter receives for his services \$1,000 per annum, while Mr. Fowler draws \$1,700 salary.

Miss Spates was also transferred from the Post-Office Department and given employment in the free-delivery division indexing the official

letter book and notifying publishers of second-class matter that their publications were not being called for. This work had been previously done by the regular force and kept up to date.

The services of C. H. James, jr., "physician and general utility clerk," are of doubtful value.

He comes into the office each morning, inquires at the free-delivery division if any of the carrier force are sick, and if so, visits them and reports their condition.

Under the former system each carrier was required to furnish a physician's certificate when absent sick, without cost to the Department, and I am of the opinion that the \$1,700 paid Doctor James might be discontinued.

Louis Kempner, "bookkeeper," at \$1,700, was assigned to this office and given employment as "inspector of stations," while Mr. Hohmiller, the former inspector, was given the substations only.

Mr. Kempner has undoubtedly done good work, but the stations and substations can be looked after by one employee and this uncalled-for expense of \$1,700 avoided.

Relative to other names mentioned above as appearing on the roster and not actually employed in the office or under control of the postmaster he informs me that the names have been placed there by official orders from the Post-Office Department; that he has made no request for their appointment, and that in some instances, as in the case of Mr. Fowler and Miss Spates, it was difficult for him to find work for them to do.

With an annual expenditure, as shown by the roster, of \$399,500, exclusive of carriers and clerks in charge of substations, such assignments and transfers create a large increase in the percentage of expenditures and gross receipts.

The finances of the office and its branches, together with the general work, were found in good condition.

The box rents charged at Station G have been fixed the same as at the main office—\$2 for small boxes, \$3 for large, and \$4 for drawers, per quarter.

The revenues from this source would undoubtedly be increased if the rent should be reduced to \$1, \$1.50, and \$2 per quarter, and I have so reported on the inspection blank.

It was learned that for some cause clerks at stations have not been examined on distribution, while those at the main office have. This has caused some dissatisfaction and resulted in persistent efforts on the part of certain employees to procure transfer to station work, both on account of "no examinations" feature and because the work is considered easier, with less night duty.

There would appear no valid reason why clerks engaged in distributing mail at stations should not be required to put up examinations and prove their efficiency in the same manner as those connected with the main office.

A special account of the present postmaster with the United States Treasurer, covering moneys pertaining to the incumbency of James P. Willett, late postmaster, was found, which the present cashier has as yet been unable to balance, the apparent discrepancy amounting to \$300.58. This will receive further investigation and form the subject of a special report.

The question of the location of the office of superintendent of mails, now in the east corridor of the post-office building, requires consideration and will also be the subject for a special report.

I would recommend that a readjustment of the clerical and laboring force of the Washington, D. C., post-office be made at once, and that as far as practicable the roster be confined to bona fide employees of the office and only such retained as the needs of the service require.

The case can be closed.

Very respectfully,

F. E. LITTLE, *Inspector.*

Report examined, approved, and forwarded to chief inspector August 2, 1900.

WM. B. SMITH,  
*Post-Office Inspector in Charge Division.*



*Abstract of special report of Inspector Little, dated July 31, 1900, on the investigation of the Washington, D. C., post-office.*

Question No. 8 of sheet No. 2, form 573, relating to inspections of Presidential post-offices, reads as follows, viz:

Is the clerk hire or other allowance more than the service requires? Could the service be improved by a judicious rearrangement of the force? (Look carefully into this subject and if any change is needed make a special report.)

Having completed an inspection of the post-office at Washington, D. C., it appears proper that some suggestions should be made regarding the force of employees and laborers at that office.

It was found that the office had no specified allowance for employees, and that a number of clerks have been added to the rolls of the office without request of the postmaster, and at times it has been difficult (he states) to find employment for all assigned to his rolls.

Aside from clerks in charge of substations and carriers, the roster shows an annual expenditure of \$399,500, with 402 employees. Of this number 63 are employed at the various stations, leaving 339 on duty at main office.

Out of the 402, 77 appear as laborers or janitors at an annual expenditure of \$47,300, 3 of whom are detailed to the Post-Office Department, 11 employed as watchmen, and 13 assigned to stations, leaving 50 actually employed at the main office. A further analysis shows 8 women laborers performing the duties of charwomen, as follows, viz:

Annie E. Drury (assigned to Station A) .....	\$500
Mary Maney (assigned to Station A) .....	500
Frances Daily (cleans assistant postmaster's and stamp rooms) .....	500
Theresa Dunick (cleans offices of superintendents of mails and free delivery) ..	400
Lena Holmes (money-order rooms and lobby) .....	500
Fannie L. Jeffrey (cleans Mr. Vickery's room, first floor) .....	600
Susie Pondexter (cleans postmaster's rooms) .....	400
Lizzie Crowther (cleans rooms on mezzanine floor used by Mr. Vickery's clerk) .....	400
Total .....	3,800

One of these women at Station A and three at main office, at a compensation of \$240 per annum (the same as is paid charwomen by the Post-Office Department), could do the necessary sweeping and dusting, at a cost of \$960 per annum, reducing expenses on this item alone \$2,640.

The force of day laborers actually engaged in cleaning the lobby of the post-office, walks, and wood or brass work averages about 12—the night force 4, while 8 are assigned to the registry division, 10 to the free-delivery division, and 12 to the mailing division.

It would appear probable that a large reduction could be made in this force without detriment to the service, and a saving of \$10,000 per annum effected.

The roster of the office bears the names of Ed S. Allen, bookkeeper, \$1,400, who appears to be an electrical engineer engaged in installing canceling machines throughout the country.

George E. Barnard, bookkeeper, \$1,600, traveling inspector of canceling machines.

H. C. Graff, bookkeeper, \$1,600, also inspector of canceling machines.

E. B. Commons, finance clerk, \$1,500, on duty in Porto Rico.

J. A. Holmes, secretary and stenographer, \$1,400, detailed to salary and allowance division, Post-Office Department.

Henry Hood, distributor, \$900, detailed salary and allowance division, Post-Office Department.

C. H. James, jr., physician and general utility clerk, \$1,700.

Louis Kempner, bookkeeper, \$1,700, inspector of stations.

Dorothy Lamon, bookkeeper, \$1,400, detailed at Paris Exposition.

Bessie R. Parke, bookkeeper, \$1,200, detailed at Post-Office Department.

Reuben T. Reeve, record clerk, \$1,000, detailed at Post-Office Department.

D. C. Saunders, bookkeeper, \$1,400, on duty in Porto Rico.

Laura B. Winder, inquiry clerk, \$900, detailed to Post-Office Department.

Fred L. Templeton, letter distributor, \$1,200, detailed to Post-Office Department.

Matthias J. Bundy, laborer, \$600, detailed to Post-Office Department.

Edwin C. Fowler, bookkeeper, \$1,700.

Emma S. Spates, nixie clerk, \$900.

Of the foregoing-named persons James, Kempner, Fowler, and Spates are the only ones connected with the office over whom the postmaster has any supervision. The aggregate salaries paid to those not connected with the office amount to \$16,100.

In the case of C. H. James, jr., physician and general utility clerk, \$1,700, it is questionable whether the service rendered by him is necessary.

Until recent years, in case of the sickness of a carrier, he was required to furnish the certificate of a reputable practitioner to account for his absence from duty, without cost to the Post-Office Department. Mr. James calls at the office each morning, ascertains if any carriers have reported sick, visits them, and reports their condition. He performs no other service, and the roster designation, "general utility clerk," is misleading.

Louis Kempner was assigned to the office roll and a place made for him as inspector of stations, while Mr. Hohmiller, who had formerly had charge of both stations and substations, was given the latter. One inspector is all the service requires.

Edwin C. Fowler was transferred to the city post-office roll from the Post-Office Department. He has been an invalid for some months and unable to perform satisfactory service in the Department. A place was found or made for him as assistant to the timekeeper in free-delivery division. The latter receives \$1,000, while Mr. Fowler draws \$1,700 as an assistant.

Miss Spates was also transferred from the Post-Office Department to the city post-office roll as a "nixie clerk." Her duties consist of indexing the letter copy book and notifying publishers that their publications remain in the office uncalled for or undelivered.

These two last-named persons, the postmaster informed me, he had

no use for, but as they were assigned to his roll, he, with some difficulty, provided work for them.

Other instances might be mentioned, but sufficient have been noted to warrant the recommendation that the roster of this office should be carefully readjusted, the superfluous force eliminated, and compensation in many instances equalized.

This can be done without impairing the efficiency of the service, and result in a saving of many thousands of dollars.

*Abstract of confidential report of Inspector in Charge Smith, made a few days after the report was filed, July 6, 1899. Marginal notes appear in the original document in the handwriting of George W. Beavers.*

E. S. Allen, employed at \$1,400 per annum, appointed March 15, 1899, as mechanic on military roll. Engaged in traveling and testing canceling machines in the United States.

H. A. Cummings, appointed August 22, 1899, on military roll; detailed at Post-Office Department, \$1,000.

D. M. Monroe, appointed April 1, 1899, on military roll; detailed at Post-Office Department.

F. E. Murray, appointed September 21, 1898, military roll; detailed at Post-Office Department, \$1,000.

None of the above-named parties appear to have performed any service in connection with military-post matters.

January 1 and 10, 1899, First Assistant Postmaster-General by letter transferred 20 clerks from clerks' roll, Washington, D. C., post-office, to military roll. Most of these clerks are now employed as clerks in the Washington, D. C., post-office.

#### DISALLOWANCE OF THE ACCOUNT OF W. S. LARNER.

W. S. Larner, military postal clerk, by order of the First Assistant Postmaster-General's Office, was paid by the cashier of the Washington, D. C., post-office the sum of \$118.93 under protest, which sum was subsequently disallowed by Auditor of the Treasury, January 4, 1899.

#### PAYMENT FOR BONDS OF MILITARY POSTAL CLERKS.

*August 11, 1898.*—Authority of the First Assistant Postmaster-General, premium on bond of G. M. Hunt and stamp on bond of N. A. Smith, \$25.50.

*August 26, 1898.*—Authority for payment of premium on bonds of Whitney, McKenna, and Van Alstyn, \$61.50.

*September 17, 1898.*—Authority for payment of premium on bond of N. C. Graff, \$20.50.

*October 31, 1898.*—Authority for payment of premium on bond of S. P. Bristow, \$20.50.

*October 31, 1898.*—Authority for payment of premium on bond of N. P. Loveland and N. C. Graff, \$41.

*January 3, 1899.*—Authority for payment of premium on bond of 35 employees, \$224.15.

## MILITARY POSTAL SERVICE.

Purchase of the following items were authorized on the dates below:

1899.	
Feb. 3. Bill of M. D. Helm, 3,500 pounds of jute twine, at 0.0665 cent per pound .....	\$232.75
Feb. 7. Bill of John C. Parker for stationery .....	96.45
Feb. 23. Traveling expenses of L. J. Robinson, from Appleton, Wis., to Washington, D. C .....	23.00
Mar. 2. Bill of Ballentyne R. Carter .....	82.69
Mar. 2. Bill of R. P. Andrews & Co .....	23.50
Mar. 7. Bill of Gerry Jones, letter scales .....	40.50
Mar. 28. Bill of J. C. Parker 24 cuspidors .....	24.00
Mar. 28. Bill of M. D. Helm, 542 pounds twine, 0.0665 cent per pound ..	36.04
1898.	
Mar. 28. Bill of A. O. Nash, stationery .....	28.75
1899.	
Mar. 31. Bill of Mosler Safe Co., 1 safe .....	300.00
Mar. 31. Bill of Ault, Wyborg Co., canceling ink .....	54.00
May 5-6. Bill of J. Holt Livingston for furniture, Porto Rico (question as to competition; prices appear to be high) .....	509.10
May 5. Bill of J. C. Parker, for stationery .....	43.90
Apr. 27. Bill of J. C. Parker, for stationery .....	256.30
Apr. 27. Bill of J. C. Parker, for stationery .....	30.00
Apr. 22. Bill of J. C. Parker, for two seats .....	2.00
Apr. 10. Bill of J. C. Parker .....	13.50
Apr. 10. Bill of J. C. Parker .....	10.00
Apr. 27. Bill of George W. Cobb, jr., for furniture shipped to Porto Rico ..	1,118.00
May 6. Bill of G. W. Cobb, for furniture .....	617.50
May 6. Bill of C. S. Braisted, 475 dozen pencils, blue, 8, 5, 10 .....	40.37
May 12. Bill of J. C. Parker, for stationery .....	90.00
May 22. Bill of J. C. Parker, 6 clocks, \$12.50 .....	75.00
May 22. Bill of J. C. Parker, Smith Premier typewriter .....	100.00
May 22. Bill of J. C. Parker, typewriter cabinet .....	25.00
May 22. Bill of J. C. Parker, chair .....	7.00
May 22. Bill of J. C. Parker, copyholder .....	2.00
May 22. Bill of J. C. Parker, dictionary holder .....	5.00
May 22. Bill of J. C. Parker, 12 bill files .....	1.75
May 23. Bill of J. C. Parker, 5,000 sheets Crane's linen typewriter paper, at \$3 .....	15.00
May 22. Bill of J. C. Parker, for stationery .....	119.50
May 22. Bill of J. C. Parker, for stationery .....	52.00
May 22. Bill of J. C. Parker, for engraved plate and printing 400 official cards .....	5.25
May 22. Bill of G. W. Cobb, jr., 3 washstands, at \$40 each .....	120.00
May 22. Bill of G. W. Cobb, jr., 1 Densmore typewriter .....	97.00
June 3. Bill of J. Holt Livingston, furniture .....	218.80
May 23. Bill of M. D. Helm, for printers' machine, type, and general supplies .....	2,041.80
May 26. Bill of J. C. Parker, file boxes, rival stamp racks, caution cards ..	92.25
June 19. Bill of J. Holt Livingston, post-office boxes, fixtures, and furniture contracted for .....	1,725.00
June 15. Bill of Yale & Towne Manufacturing Company, furniture shipped to Porto Rico .....	375.00
Total .....	8,750.70

Some of the articles enumerated, such as washstands, at \$40, appear to be highly excessive, and lead to the belief that the feature of competition did not enter into the transaction.

#### ADDITIONAL IRREGULARITIES IN CONNECTION WITH PAY ROLLS OF THE CLERKS AND LABORERS.

*Nathan H. Baker.*—Appointed April 29, 1899, as a laborer, at \$700 per annum, and also paid as a mechanic at \$2 per day except Sunday.

*Margaret S. Burke.*—December 1, 1898, appointed at \$600. Dropped April 8, 1898. Performed no service.

*Gilmer Colson.*—December 6, 1898, appointed laborer by First Assistant Postmaster-General; supposed to be employed in the Post-Office Department; performed no duty in the city post-office.

*R. W. B. Dorsey.*—October 22, 1898, appointed laborer at \$600 by First Assistant Postmaster-General. October 26, 1898, promoted to \$700 from date of appointment. Dropped November 11, 1898, by First Assistant Postmaster-General.

*Oscar Durante.*—Appointed September 8, 1898, military postal service, at \$1,400 and expenses. Services ceased April 30, 1899. Paid salary, \$902.88; expenses, \$187.25. No service was performed by Mr. Durante from January 1, 1899, to April 30, 1899.

Robert V. Willett, son of the late postmaster, was appointed laborer June 21, 1898, at \$600 per annum, by order of the First Assistant Postmaster-General; also appointed a mechanic at \$2 a day on July 1, 1898, and was allowed three items, aggregating \$46.15, for expenses incurred at Camp Alger before his appointment as military postal clerk at \$1,200, which occurred March 1, 1899, at which time he was assigned to duty at the Georgetown station and was carried on the roll until the end of the fiscal year, June 30, 1899.

H. V. Willett, another son of the late postmaster, was also appointed military postal clerk on September 9, 1898, at \$1,200, assigned to duty in the cashier's room of the Washington, D. C., city post-office, and was carried on the roll until June 30, 1899.

#### IRREGULARITIES IN THE APPOINTMENT, COMPENSATION, AND PROMOTION OF OLIVER H. SMITH.

Acting upon authority from the First Assistant Postmaster-General's office, this man drew pay from November 23, 1897, to November 30, 1898, as follows:

First. The sum of \$600 from the appropriation for clerk hire (although appointed as laborer).

Second. Two dollars per diem for every working day on the mechanics' roll.

Third. Was paid an average of \$7.50 per month for car fare during the entire time.

Fourth. Was also granted, in addition to all this, two separate items for expenses at Camp Alger—one \$15.60; the other \$12.

Showing approximately that his compensation for one year was \$1,349.60.

No one has certified to the actual time Mr. Smith was employed during the year, nor has any statement been attached to his pay vouchers showing what particular service he rendered in return for his compensation. This party was continued in the dual capacity of clerk and mechanic until April 1, 1899, when he was promoted to finance clerk at \$1,700 per annum.

## MISCELLANEOUS.

The following vouchers were authorized to be paid by the First Assistant Postmaster-General's Office under dates as appear below:

1898.		
July 22.	Expenses of Perry S. Heath and George W. Beavers, incurred in visiting Philadelphia and New York on official business.....	\$87.25
Aug. 10.	Expenses of George W. Beavers, official business at Newark, N. J.....	8.70
Sept. 30.	Expenses of George W. Beavers, traveling on official business....	17.75
Oct. 13.	Expenses of George W. Beavers, traveling on official business....	42.35
Dec. 19.	Expenses of George W. Beavers, on postal tubes and canceling machines .....	11.00
1899.		
Feb. 10.	Expenses of George W. Beavers, New York .....	12.80
Mar. 13.	Expenses of George W. Beavers, Massachusetts .....	17.80
May 15.	Expenses of George W. Beavers, Philadelphia and Hartford .....	20.15
Total (Beavers's expenses) .....		130.05
1898.		
May 16.	Expenses of G. D. Fisher (salary and allowance division) at Philadelphia, Scranton, and Wilkesbarre, Pa.....	\$30.15
July 26.	Expenses of M. W. Louis and Blain W. Taylor, in traveling on official business .....	50.15
Sept. 21.	Expenses of M. W. Louis and Blain W. Taylor, in traveling on official business .....	34.75
Mar. 31.	Expenses of M. W. Louis (supply division), Brooklyn, N. Y....	23.15
Oct. 20.	Expenses of James A. Sullivan, employed on first and second class offices .....	54.07
Oct. 21.	Expenses of Force & Co. for numbering machines, salary and allowance division .....	4.75
Nov. 3.	Expenses of G. A. Flad, transportation from Washington, D. C., to Cleveland, Ohio, and return (safe and lock expert) .....	34.40
Nov. 3.	Expenses of A. S. Riddle, for inspection of post-office safes, Cleveland, Ohio .....	10.25

These vouchers of expenses do not appear to be itemized in a proper manner, nor is the necessity for the expenditure of this money by the Washington City post-office apparent.

## CLEANERS.

The following persons were placed on the pay roll of the Washington, D. C., post-office, and designated as cleaners, under authority of the First Assistant Postmaster-General, to be charged to the appropriation of miscellaneous expenses:

	Per annum.
1898.	
July 27. Emma James .....	\$600
July 27. Fannie R. Winans .....	600
Sept. 6. Fannie L. Jeffrey .....	600
Sept. 7. Laura A. Nevitt .....	600
1899.	
Jan. 9. Lizzie Crowther .....	400
Jan. 25. Frances Daly .....	480
Mar. 14. Mrs. Helen Fenton .....	600

These parties have received pay from the dates of their appointment to June 30, 1899, and are still on the pay rolls and have performed practically no service whatever.

## LEASE.

By the terms of a lease executed July 28, 1897, by the Union Building Company, of Washington, D. C., and by the Postmaster-General, September 13, 1897, the premises on G street, heretofore leased by the Post-Office Department for the main office, Washington, D. C., was

leased for the period of one year from and after October 1, 1897, for the sum of \$20,000 per annum, payable monthly, with the privilege to cancel same to take effect May 1, 1898, by giving three months' notice. To be canceled at the option of the Postmaster-General by notice in writing to owners.

On July 14, 1898, the postmaster at Washington, D. C., was authorized by the First Assistant Postmaster-General to pay rental monthly at the rate of \$22,500 from July 1, 1898, until otherwise directed. This authority dated back, overlapping the term of the lease three months, resulting in a loss to the Government from July 1 to September 30, 1898, of \$625, the difference between \$20,000, as called for by the lease, which did not expire until October 1, 1898, and \$22,500, as authorized to be paid by the First Assistant Postmaster-General. In addition thereto the city post-office was moved to its new quarters on the 30th of November, 1898, but rental for those premises was continued and paid until the 1st day of January, 1899, at the rate of \$22,500 per annum, thus showing a further sum of \$1,895.38, which was paid for the month of December, or a total loss of \$2,520.38.

#### INCIDENTAL EXPENSES, FREE-DELIVERY SERVICE.

Authority from the office of the First Assistant Postmaster-General to pay the following-named persons per diem in connection with claims of letter carriers for overtime charges:

Katherine Endsey, from July 14, 1898, to April 28, 1899.....	\$1,305
Chas. A. Machen, from July 14, 1898, to April 28, 1899.....	1,040
A. B. Hurt, from July 30, 1898, to April 28, 1899.....	1,040
H. L. Lorenz, from July 30, 1898, to April 28, 1899.....	1,040
John S. Leech, from October 18, 1898 (30 days).....	90
F. W. Wait, from April 23, 1898 (35 days).....	140
Total.....	4,655

The honorable Comptroller of the Treasury states under date of April 26, 1899, that this money was paid without authority of law, and that C. A. Machen, H. L. Lorenz, and A. B. Hurt were paid per diems covering the same periods by the disbursing clerk of the Department of Justice from the appropriation for defending suits in claims against the United States for services in letter carrier-claims before the Court of Claims, and these are understood to be the same services for which they were paid by the Washington, D. C., postmaster, as above.

Upon receipt of a letter from the Comptroller, above referred to, the cashier of the Washington, D. C., post-office suspended all payments to the parties mentioned in said letter and called upon them to furnish certain affidavits required by the Comptroller. The cashier was, however, required to continue these payments under direct written order from the postmaster, who stated that he was verbally instructed to this action by the First Assistant Postmaster-General, and the payments were made under the cashier's protest.



*Memorandum submitted to Postmaster-General Smith, presumably by George W. Beavers, in explanation of irregularities set forth in brief of confidential report of Inspector in Charge Smith, made a few days after the report was filed, July 6, 1899, at the request of Postmaster-General Smith.*

**"B"—EXPLANATION OF IRREGULARITIES REPORTED BY MR. S. W. TULLOCH TO POSTMASTER-GENERAL SMITH.**

*Item 1—"Employment of E. S. Allen, H. A. Cummins, D. M. Monroe, and F. E. Murray on military roll, detailed to Post-Office Department."*—When the appropriation for the military postal service was made by Congress the question of extra clerks was overlooked. The disbursement of this appropriation and correspondence, etc., connected therewith was thrown upon the salary and allowance division, a division already overburdened with the regular appropriations. These clerks were therefore temporarily detailed to said division in order to keep the work in proper shape. Their employment consequently was a war exigency pure and simple and fully justified by the conditions then existing.

*Item 2—"Transfer of twenty clerks from regular clerk roll of Washington City post-office to military postal roll."*—These appointments were made necessary by reason of the fact that early in the fiscal year and before the military appropriation had become available, our regular appropriations were heavily drawn upon to meet military necessities. Hence, toward the close of the year it was necessary to recoup in order to save a deficiency in the regular appropriation; and for this reason alone their employment was authorized. The mails for Porto Rico were ordered sent to Washington, D. C., for distribution (by regiment and company) before dispatch. These men were either employed upon or took the place of clerks handling military mail. Before adopting this plan, however, the matter was carefully canvassed, and it was considered better to employ the above-mentioned persons on the military roll than to have a deficiency in the regular clerk-hire appropriation. These clerks were eligible substitutes, regularly drawn from the civil-service register, and on July 1, 1899, when the new appropriation became available, they were returned to the regular clerk-hire roll.

*Item 3—"Payment of W. S. Larner, military postal clerk, by order of the First Assistant Postmaster-General."*—This account was carefully revised by the Auditor, and certain items contained therein were disallowed. The questionable items have since been paid by late Postmaster Willett, and the account has been allowed or "passed" by the Auditor.

*Item 4—"Payment of bonds for military postal clerks."*—The payment for bonds on account of military clerks in question was made at the time when the service was organized. Many of these clerks were comparatively unknown to the local postal authorities, and in order to

protect Postmaster Willett and his sureties an indemnity bond was secured in each case and paid for by the Government. The Comptroller has since considered these payments and is rather inclined to the opinion that the same was a war exigency, and, while not entirely regular, was not unwarranted under the circumstances.

*Item 5.*—"Purchase of items for the military postal service; twine, stationery, letter scales, safes, canceling ink, furniture, and miscellaneous articles."—As long as our regular stock in the supply division was available these items were furnished without specific charge against the Cuba and Porto Rico postal services. When, however, it was found that our regular stock of supplies was becoming exhausted or depleted, the goods requested in almost every instance were ordered from the regular departmental bidders. Mr. Helm has been the successful bidder for the past two years on the twine item for the Department; Gerry Jones, for letter scales; Mosler Safe Company, for safes; Ault Wiborg Company, for canceling ink; Braisted, for lead pencils; and R. Carter Ballantyne, John C. Parker and A. G. Nash, on the stationery items. The Yale & Towne Company and J. Holt Livingston are regular departmental contractors for post-office furniture, and in both instances it was the expressed wish of the director-general of posts of Porto Rico that the articles enumerated in his requisition be furnished by the manufacturers in question.

The lack of competition suggested is only apparent, since most of the dealers referred to are and have been regular bidders for departmental business for years past, and the prices charged fairly approximate those regularly charged the Department, with freight or cartage added.

*Item 6.*—"Additional irregularities in connection with pay roll of clerks and laborers."—Gilmer Colson, referred to as having been appointed as laborer December 6, 1898, and supposed to be employed in the Post-Office Department, was regularly employed in the Post-Office Department as a stoker in the fire room. Mr. A. S. Riddle, assistant engineer, regularly enrolled on the Post-Office Department pay roll, and paid from the departmental appropriation, was assigned to the care of an engine in the new post-office building at the especial request of the honorable Secretary of the Treasury, there being no fund at the command of either the Treasury Department or the Post-Office Department for the employment of an engineer for this building until same was occupied by the Post-Office Department. This was merely a temporary arrangement. In other words, Colson could perform Riddle's duties in the Post-Office Department, but it was necessary in the new post-office building to have a skilled engineer; hence the temporary detail of Mr. Riddle.

The other persons mentioned were regularly appointed and should have been detailed to regular duty by the postmaster. That they were not regularly employed was never brought to the official notice of this Department.

*Item 8.*—"Expenses of certain Post-Office Department officials paid through the Washington, D. C., post-office."—These expense accounts were duly sworn to and made out in the form and manner prescribed by the Sixth Auditor of the Treasury for the Post-Office Department. Vouchers were furnished where possible and the entire account regularly sworn to. This practice of paying departmental officials' expenses for traveling has been in vogue for many years, and has never been questioned. Recently, however, the Comptroller suggested that similar accounts be hereafter paid by warrant through the disbursing

officer of the Post-Office Department, and arrangements have been made accordingly.

*Item 9.*—“*Cleaners.*”—The persons referred to as cleaners were regularly appointed and detailed to the post-office at Washington, D. C. The postmaster was instructed, and it was part of his duty to have provided employment for them, or reported to this Department if it was a fact that there was no employment for them, when their services would have been dispensed with.

*Item 10.*—“*Lease of Union Building for Washington City post-office.*”—On June 24 and June 28, 1898, the attention of the Treasury Department was invited to the fact that the lease of the premises occupied by the Washington City post-office would expire on October 1 of that year, and it was asked that the date be fixed when the new Government building would be ready for occupancy. It was also stated that the owners of the Union Building were anxious to consider another permanent tenant for their premises, and that they very much desired to know when said premises would be vacated and at their disposal.

In reply thereto, on June 30, the honorable Secretary of the Treasury advises as follows, through the Supervising Architect:

Your letter of the 28th instant, addressed to the chief clerk of this Department, has been referred to this office, asking as to the date of completion of that portion of the new post-office building in this city allotted for use by the city post-office.

In reply, I have the honor to inform you that the first floor is entirely completed, and that the basement is practically so, and will be completed by the 15th of July. This portion of the building could be ready, therefore, for occupancy by that date, provided the force of temporary clerks now employed there on the new bond issue can be removed. But I would not advise that the post-office move in at that time, as of necessity the occupants of the post-office working room would be exposed to danger from falling material used in the construction of overhead work.

This overhead work will be completed, however, between September 15 and October 1, 1898, so that if the first floor is vacated by the clerks employed temporarily there by that time, there will be nothing in the way of the city post-office moving in by the latter date.

This has no reference to the furnishing of the building, for which provision is made in the general deficiency bill pending in Congress.

Should it be the desire of the Post-Office Department to occupy the building by the 1st of October, the Treasury Department should be informed thereof at the earliest possible moment.

On July 6, 1898, on the same subject he makes the further statement:

I have the honor to acknowledge the receipt of your communication of the 24th ultimo in relation to installing, not later than the 15th of September next, the Washington City post-office in the new post-office building in this city, and to advise you that as far as relates to the matter of construction the post-office portion of the building named will be ready for occupation at that date.

It is proper in this connection to call your attention to the fact that there is as yet no appropriation available against which can be charged the cost of furniture, gas fixtures, etc., but as soon as such appropriation is made the matter will receive the attention of this Department, with the view of accepting proposals and securing the delivery of the furniture, gas fixtures, etc., at the earliest date.

As already intimated in letter addressed to you under date of the 30th ultimo by the Supervising Architect of this Department, a force of temporary clerks is now engaged in the building incident to the new bond issue, and the matter of vacating the quarters occupied by them prior to September 15 will receive due consideration.

And, finally, on August 24, 1898, he advises:

I have the honor to invite attention to prior correspondence in relation to securing completion of the city post-office portion of the post-office building in this city for the transaction of postal business on or before September 30 next, and to state

that, while the work will be so far advanced at that date as to permit of such occupation, it has become necessary, by reason of the exigencies and volume of business connected with the war-bond issue, to make use of the first floor for the special bond force. It has developed also that this floor will be required, as indicated, for a period of at least eight weeks, *in view of which arrangements should be made for continuing the rent of the present city post-office until near the close of the month of November next at the earliest.*

On July 6 the new premises were inspected by a committee from this Department and the conditions as stated in the last letter of the honorable Secretary of the Treasury being then clearly evident, negotiations were resumed with the lessors of the Union Building looking toward an extension of the lease ending September 30, 1898, until such time as the Government building could be made ready for our occupancy. The lessors would not rent for a lower rental than \$25,000 per annum, and would consider no proposal for a shorter period than one year. Finally, a lease at \$22,500 from July 1, 1898, was agreed upon, the lease to run one year, or until the post-office could be moved into the new Government building.

At this particular time it appeared that the new building would not be ready until the following spring, and that if the Government were to pay at the rate of \$20,000 per annum for the months of July, August, and September, 1898, and at the rate of \$25,000 per annum thereafter the Government would be a loser thereby, especially if there should be any accident or unforeseen delay. The lease was therefore canceled and a new lease made at \$22,500 from July 1, 1898, as shown above. As a matter of fact, however, had we continued under the \$20,000 lease and been obliged to pay at the rate of \$25,000 for October, November, and December, 1898, the result in dollars and cents would have been the same. The lease last made was canceled December 31, 1898, by removal to the new Government building on November 30, 1898. As fully four-fifths of the old post-office equipment was not moved from the Union Building (the Treasury Department having provided new equipment for the new Government building), the old premises were required for the first few days in December for the condemnation, auction, and sale of the Government property. Having retained possession of the premises for a few days in December, the Department was liable for a full month's rental.

#### FREE-DELIVERY SERVICE.

*Item 11—"Incidental expenses of certain persons in connection with the claims of letter carriers for overtime charges."*—Before taking up this item in detail it is proper that a brief statement should be made of the conditions that induced the Post-Office Department to pay the expenses of the persons employed by the Department of Justice in the settlement of letter carriers' overtime claims.

The eight-hour law was passed May 24, 1888. Little or no effective effort was made between 1888 and 1893 to enforce the law. This resulted in the wholesale making of overtime, for which letter carriers brought suit in the Court of Claims. Prior to 1893 a few cases were settled, but in every instance for the full amount claimed. At that time all testimony was in the form of depositions taken by attorneys, who, having had no experience whatever in the postal service, were unfamiliar with the details of the free-delivery service and the duties of letter carriers. Under such circumstances the Government presented a very weak defense and the carrier was invariably given judgment for the full amount of his claim. It became very apparent that

at this rate it would require at least \$9,000,000 and about twenty-five years to settle all claims.

Both Postmaster-General Bissell and Assistant Attorney-General Dodge were impressed with the necessity of devising some practice or method by which the great accumulation of overtime claims might be speedily settled and in such a manner that the interests of the Government would be fully protected. After a conference between the Post-Office Department and the Department of Justice it was decided that, instead of having depositions taken in the various offices by local attorneys, the Court of Claims would appoint as commissioners persons thoroughly familiar with the free-delivery service to examine the records and witnesses in the presence of the claimant's attorneys and report their findings to the Court of Claims.

It was then agreed that the Post-Office Department would bear its share of the expenses of these commissioners, including transportation.

I quote from the report of the Postmaster-General for the fiscal year ended June 30, 1894, as follows:

To expedite a settlement of these claims (letter carriers' overtime claims), in which the interests of the Department, as well as those of the letter carriers, might be fully protected, an arrangement was made with the Department of Justice by which the assistant superintendent of the free-delivery system was commissioned by the Court of Claims a special commissioner in the settlement of overtime claims of letter carriers. The special commissioner entered upon his duties January 9, 1894. \* \* \* On September 15, 1894, the Court of Claims appointed another special commissioner to investigate and report upon letter carriers' overtime claims, and this office detailed a clerk of the free-delivery division to assist the commissioners in making necessary computations and to perform other clerical work necessary to a prompt adjudication of all claims.

Again, from the Postmaster-General's report for the year ended June 30, 1895:

The assistant superintendent of the free-delivery division and another employee of the Department, who were selected by the Court of Claims to act as special commissioners in the settlement of overtime claims, made very satisfactory progress in their investigation, and their work during the past year has produced very gratifying results, which are contained in the following statement:

Amount of judgments rendered by the Court of Claims on the reports of the Commissioners for which Congress was requested by the Secretary of the Treasury to provide an appropriation.....	\$951, 282. 94
Amount of judgments rendered since the adjournment of Congress.....	327, 841. 37

Total amount in judgment .....	1, 279, 124. 31
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This represents about 70 per cent of the amounts claimed, and shows a saving to the Government of about \$550,000. Fully 99 per cent of these judgments represent claims that accrued before 1893, practically no effort having been made prior to that time for the disposal of overtime claims.

The Post-Office Department's share of the cost of this work from the date of its inauguration, January 9, 1894, to the close of the fiscal year, June 30, 1895, does not exceed \$10,000.

This work has been continued from year to year until it is now practically finished, the result being that claims aggregating something like \$9,000,000 have been settled for about \$3,500,000 within a period of about five years, for which judgments have been rendered in the Court of Claims, causing a saving to the Government, as compared with the old method of settling claims, of about \$5,500,000.

The expenses of the commissioners and their clerks were paid from the appropriation for incidental expenses, free-delivery service, and were paid as a per diem "in lieu of all expenses."

In detailed estimates rendered from year to year to the Committee on Post-Offices and Post-Roads this item of expense was included, although, like a number of other items legitimately charged to incidental expenses, it was never mentioned in the appropriations.

This expenditure was understood by the Auditor for the Post-Office Department both in this and the last Administration, and no question was ever raised as to the propriety of the Post-Office Department paying these expenses until May, 1899, when the Comptroller of the Treasury rules that they were technically irregular and that the practice of paying the expenses of employees of another Department should be discontinued. This was done May 31, 1899.

*Item 7.*—"Irregularity in the appointment, compensation, and promotion of Oliver H. Smith."—The records of the free-delivery division show that Mr. Smith was paid at the rate of \$2 per day for his employment during a part of the day in the painting, repairing, and erecting of street letter boxes, and the performance of such other work as he might be called upon to perform.

The payment of Mr. Smith from two branches of the service was not deemed irregular, as the Department was of the opinion that any employee receiving \$2,500 or less could be paid compensation on two different rolls. Section 53, P. L. & R., edition of 1893, reads:

No person who holds an office the salary or annual compensation attached to which amounts to the sum of \$2,500 shall receive compensation for discharging the duties of any other office, unless expressly authorized by law. (R. S., p. 1763.)

As soon as the Comptroller of the Treasury called the Department's attention to this technical irregularity, it was discontinued.

*Letter of the Postmaster-General, May 4, 1903, to the Civil Service Commission; replies of the Commission, May 5 and June 12, 1903; statement of Postmaster-General, June 13, 1903.*

MAY 4, 1903.

Hon. JOHN R. PROCTER,

*President United States Civil Service Commission.*

SIR: I should be pleased if you would have one of your examiners detailed to make an investigation of the Washington City post-office with a view of ascertaining whether or not the civil-service law and regulations have been and are being complied with in the administration of that office.

Respectfully yours,

H. C. PAYNE,  
*Postmaster-General.*

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UNITED STATES CIVIL SERVICE COMMISSION,  
*Washington, D. C., May 5, 1903.*

The Honorable the POSTMASTER-GENERAL.

SIR: The Commission has the honor to acknowledge the receipt of your communication of May 4, requesting that one of the Commission's examiners be detailed to make an investigation of the Washington city post-office, with a view of ascertaining whether the civil-service law and regulations have been and are being complied with in the administration of that office.

The Commission takes pleasure in advising you that Dr. George W. Leadley, chief of the service record division, and Mr. C. W. Bartlett, one of the Commission's examiners, have been instructed to confer with you and to make the investigation as requested.

Very respectfully,

JOHN R. PROCTER, *President.*

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Attention is called to the fact that since my incumbency of the position of Postmaster-General the Civil Service Commission report that there have been but 10 persons transferred to the Washington city post-office by appointment from smaller offices and that these 10 were appointed to their respective places six months or more prior to their transfer, which is in compliance with the law, rules, and regulations of the civil service as they now exist.

It will be noted that the Commission report that every person occupying a competitive classified place in the Washington post-office is there by right of a certificate regularly issued by the Civil Service Commission.

Regarding unskilled laborers, which have not been subject to classification, it is proper to say that there has been much consideration of this question on the part of the Civil Service Commission and the Department, and many conferences have been had on this subject. On July 2, 1902, an agreement was reached and regulations adopted which were agreed to by the Civil Service Commission and the Department which will do away with all cause for complaints as to irregularities in the appointment of this class of employees.

The point raised by the report regarding the promotion of certain employees in the office which have been directed by the Department occurred previous to January 1, 1902. No such directions for promotions as are referred to have been authorized by me since I have been Postmaster-General.

JUNE 13, 1903.

Above was dictated in the presence of Mr. Procter, and assented to by him as being in accordance with the facts.

H. C. PAYNE,  
*Postmaster-General.*

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UNITED STATES CIVIL SERVICE COMMISSION,  
*Washington, D. C., June 12, 1903.*

The Honorable the POSTMASTER-GENERAL.

SIR: The Commission has the honor to submit herewith, with its approval, the report of an investigation made by its representatives in compliance with your written request of May 4, 1903, and your oral instructions to determine (1) whether all of the employees outside the force of carriers were regularly in the service and entitled to their positions; (2) whether the civil-service rules had been observed in the employment and assignment of laborers, and (3) whether there had been a general observance of the civil-service law and rules in the administration of the Washington post-office during the incumbency of the present postmaster.

In answer to the first question, whether all of the employees outside the force of carriers were regularly in the service and entitled to their positions, the report shows that appointments to competitive classified positions in the Washington post-office during the administration of Postmaster Merritt have been made in close conformity with the spirit and letter of the civil-service rules, except when transfers from outside offices of persons appointed for the purpose of classification and improper assignments of laborers to classified duties have interfered with the proper method of appointment. An inspection of certifications taken at random shows that the postmaster selected for appointment 90 out of 100 persons whose names were certified to him from the registers of the Commission, although the requirement of the civil-service rules would have been met by the selection of one from each certification of three names, or only 60 out of 100.

In 1897 a practice was adopted by the Post-Office Department and continued for the purpose and with the effect of evading the requirement of the civil-service law and rules that appointments to classified positions shall be based upon competitive examination. The method employed was to appoint persons to unclassified post-offices shortly before the classification of those offices, by the establishment of the



free-delivery service, and to transfer to other offices and departments the persons so appointed shortly after their classification, the effect of the combined appointment and transfer being to admit the persons designated to positions which should have been filled by open competitive examination. The number of persons thus entering classified positions by appointments in smaller offices and subsequent transfers increased from 2 in 1897 to 22 in 1898, 28 in 1899, and reaching the maximum number of 61 in 1900, and decreasing to 15 in 1901, 8 in 1902, and 2 in 1903. The last 10 were appointed six months prior to their classification. The total number of such appointments and transfers was 138.

The Commission, on February 9, 1898, called the attention of the Department to the evil which would result, and requested that the practice be discontinued. The First Assistant Postmaster-General, on February 19, 1898, replied in a letter in part as follows:

I have to say that, in compliance with your suggestion, it is the purpose of the Department in the future to confine appointments of persons at post-offices where the establishment of free delivery is contemplated to a period of not less than six weeks prior to the establishment, and the appointments to residents of the city in which the establishment of free delivery is to be made. Unless the emergency is great and necessity extreme, it is our determination to make no appointment at these offices earlier than sixty or ninety days, and, unless the nonresident has expert knowledge of the postal service and his especial abilities are required in the establishment, to refuse all applications for the appointment of others than residents of the city where the establishment is to be effected.

The practice continued, notwithstanding this promise to discontinue it, and the Commission wrote many letters of protest to the Department, among them being the letters of May 16, June 11, and November 7, 1898, April 4 and April 11, 1899, and May 24, 1900.

With a view to curing the evil or greatly restricting it, the Commission submitted to the President, on June 20, 1898, a draft of a proposed amendment of the civil-service rules to require that no person should be transferred until after six months' actual service in the office in which he became classified. On June 11, 1900, this suggestion to the President was renewed. On December 7, 1901, the proposed amendment was submitted again, and became a part of the civil-service rules four days later. It is believed that this, with the amendments made in the revised rules of April 15, 1903, will prevent this abuse in future.

During the whole period of the continuance of this abuse the Commission adopted every means which, in its judgment, might lead to a remedy.

In his report of his investigation of the Somerville and Summit, N. J., post-offices in 1900, which was transmitted to the Postmaster-General, Mr. Procter said:

The persons who were classified in those offices and borne on the rolls, and who never appeared and rendered service, it appears were illegally paid if paid from the funds of the Post-Office Department, because they did not render service. They were illegally paid if paid in the Post-Office Department or in the Philadelphia post-office, where some of them were serving, because they were borne upon the rolls elsewhere. If they did not receive pay for the time when they were so borne upon the rolls at the Summit and Somerville offices, it is a violation of the statute prohibiting the rendering of service without compensation.

These appointments were made of people who do not reside in the postal districts, but were forced upon the postmasters by the Department, thus making the subordinate cooperate with the Department in evasion of the law, which is very demoralizing to the public service.

Of the application of this practice to the Washington post-office it may be said that at least 20 persons were appointed to outside offices shortly before, and transferred to the Washington office shortly after, the establishment of free delivery in said outside offices. Eighteen out of the 20 employees were either in unclassified positions in the Government service in Washington or resided in Washington or its vicinity at the time of their nominal appointment. Only 6 ever entered upon duty in the outside offices. Eight of them have been continuously in the Government service in Washington from dates preceding their nominal appointments to outside offices to the present time, the formality of appointment and transfer having caused no break in their service. Ten of the employees took the oath of their nominal appointments in Washington, 7 took it in the outside offices, and 3 have no recollection of taking it at all. Four drew pay from the outside offices, but did no work there, and 1 drew pay from the post-office at Salisbury, Md., for seven months, serving there four or five weeks, and the remainder of the time in the Washington office. Most, if not all, of these cases involved the cooperation of the postmasters at the several outside offices with the Department in evasion of the law, and the Washington postmaster was similarly involved by the subsequent transfers of the persons so appointed. The Commission issued certificates for these transfers under protest, and endeavored to stop the practice, as stated elsewhere, insisting upon actual service in the outside office prior to transfer when it found that persons who had not so served were transferred.

From March, 1897 to May, 1903, there were 56 transfers to the Washington post-office, while during the same period there were only 34 transfers to the post-offices in Buffalo, Cincinnati, Cleveland, New Orleans, and Pittsburg, each of which has a greater population than Washington.

Closely akin to the cases just considered are those of at least four employees appointed in small offices shortly before their consolidation with the Washington office, who were appointed in order that they might be covered by the classification rather than in the interests of the service, as is shown by their immediate transfer to other stations. According to Postmaster Merritt, the First Assistant Postmaster-General declared that one of the persons who was classified in the post-office at Langdon by its consolidation with the Washington office on May 1, 1903, was appointed partly for the purpose of classification, and that he would stand for it.

Mr. Oliver H. Smith, now on the rolls of the office under the designation of finance clerk, is engaged mainly in the supervision of the laboring force, and has never been regularly and actually assigned to act as auditor, such assignment being one of the conditions necessary to the exception of the position of finance clerk from the requirement of examination. It appears that Mr. Smith should be actually assigned to the duties of auditor or be separated from the service.

Concerning the second subject of the investigation—whether the civil-service rules had been observed in the employment and assignment of laborers—the report shows that of the 59 laborers constituting the present laborer force of the Washington post-office 42 are performing, in the main, work properly pertaining to the position of unclassified laborer, though 3 of them formerly did classified work; that 10 are performing the duties of watchmen, which should be per-

formed by classified employees, and that 7 are engaged mainly upon duties of a classified nature.

Fifty-six laborers were appointed and removed during the administration of the present postmaster, a number but slightly smaller than the present total force of laborers. Of this number 35 were appointed by direction of the Department, 13 by the postmaster at the solicitation of members of Congress and other prominent men, and 8 by the postmaster on his own initiative. Twenty-nine of these employees were assigned to classified work with the knowledge and consent of the Post-Office Department. It appears from the testimony of the postmaster that he protested against this practice; that in the cases of several of these appointees there was no necessity for their services; that persons appointed under the designation of laborer and assigned to classified work were inferior to those selected from the eligible registers of the Commission; and that equal efficiency would have been secured, with much greater economy, had the Department left the personnel of the force to his own selection.

The third question which the investigation was to determine—whether there had been a general observance of the civil-service law and rules in the administration of the Washington post-office during the incumbency of the present postmaster—hardly admits of a direct affirmative or negative answer. The principal instances of disregard of the civil-service rules are those already considered. Another departure from the observance of the civil service appears in the promotions of certain employees in the Washington post-office which have been directed by the Department, although reports of efficiency are neither requested nor received by the Department. A case in point is that of a lady who was nominally appointed in the Moorestown, N. J., post-office, but never left the Washington post-office; who owed her appointment to the classification-transfer method; was promoted from September 1, 1900, to July 1, 1901, from \$600 to \$1,600 per annum by direction of the Department; and is doing the work formerly done by an employee who received a compensation of only \$1,000 per annum.

The information disclosed by the investigation seems to warrant the statement that appointments to classified positions in the Washington post-office without examination, by the devious method of appointment in small unclassified offices, or in offices about to be consolidated, and subsequent transfer, and the appointments of those laborers who were appointed and separated during the administration of the present postmaster, show a wide departure in policy from a strict regard for the public interest, and afford indications that the Department used the Washington post-office, for political and personal purposes to an extent which left the authority of the postmaster in transfers and appointments of this sort but little more than nominal, and placed the office in many respects in the relation of a bureau to the Department.

The investigation seems to show clearly that most of the irregularities herein set forth were directed by the Department or requested or suggested by high departmental officials, and in either case came to the postmaster with all the force of a direction. With the exception of the appointment of 8 laborers afterwards separated, 3 clerks appointed to offices about to be classified, and 1 employee appointed in the Good Hope post-office just before its consolidation, it appears that Postmaster Merritt did not initiate any of these improper appointments or assignments, and his responsibility for them appears to be secondary

and dependent upon the extent to which a subordinate is justified in protesting against the orders or suggestions of his official superiors.

The investigation indicates that the employees who entered the service by transfer and without examination are in general inferior to those appointed through competition. The investigations made by the Commission show that many of the persons who entered the service by transfer had failed upon competitive examination, were from States which were in excess of the apportionment, or had not passed with sufficiently high grades to be reached for appointment by the regular methods.

It is the observation of the Commission that where a service or an office remains unclassified there is always a tendency to increase the number of employees beyond the number actually required for the transaction of business.

Among the employees in the Department or in the post-office service who were brought into the classified service within the last few years by classification, having been appointed without examination under the rules, were 30 war emergency employees classified by the act of April 28, 1902, 12 made permanent under paragraph 17 of Rule VIII, and 338 classified in the rural free delivery on November 27, 1901. The total number of employees in these three classes who entered the service upon considerations other than fitness as ascertained by competitive examination was 380.

Nearly all of the clerks and messengers in the rural free-delivery service who were covered into the classified service were in positions in Washington, D. C. One hundred and thirty-three of them were appointed prior to July 1, 1901; 26 were appointed in the four months immediately preceding the classification, and 56 were appointed in the twenty-six days preceding classification. How many of these were appointed for reasons other than the needs of the service it is, of course, impossible for the Commission to determine; but that the service was packed with employees in the interests of the individual is indicated by the fact that the number of appointments in the month of the classification was more than twice as great as for the preceding four months. This assumption is strongly supported by the fact that during the entire eighteen months that this service has been classified there have been 17 persons selected for appointment to positions within the District of Columbia, as against 56 clerks and messengers appointed during the twenty-six days preceding the classification.

There was no necessity of anticipating the needs of the service by an excessive number of appointments just before classification, for the Commission had registers of eligibles at that time which were ample, and also appropriate, as is shown by the fact that all but 4 of the 37 appointments which have been made to the rural free-delivery service in the District of Columbia and outside since November 27, 1901, were from registers then in existence.

The appointments made under the circumstances above set forth resulted in a congestion of the service, and when a reduction is to be made the employees appointed for political or personal considerations are cared for sometimes at the expense of persons appointed upon merit and without influence. In relieving the branches of the service thus crowded with employees, transfers are made to other parts of the service, to the injury of eligibles in line for appointment by reason of their ascertained fitness.

The passing of the war emergency, the amendment on December 11, 1901, of the rule relating to transfers, and the new provisions of the revised rules which became effective on April 15, 1903, will, it is believed, prevent the continuance of these abuses in the classified service; and the adoption, at the earliest practicable date, of regulations for the employment of laborers in the Washington post-office, in accordance with the Executive order of March 26, 1903, will, there is reason to hope, put the employment of laborers on the basis of fitness and the needs of the service.

Very respectfully,

JOHN R. PROCTER, *President.*

*Letter to the Postmaster-General.*

PHILADELPHIA, June 23, 1903.

Hon. HENRY C. PAYNE,  
*Postmaster-General.*

SIR: In view of the partial publication of the letter of Fourth Assistant Postmaster-General Bristow on the so-called "Tulloch charges" and of the accompanying reports of inspectors made to him in 1899 and 1900, I deem it incumbent on me, for a right public understanding, to make a further statement, supplementary to my letter of May 27, and to present the papers in their proper relation.

Appended to this letter, and to be treated as a part of it, will be found: First, a complete copy, marked "Exhibit A," of the itemized statement of the Tulloch charges, as submitted to me at the time they were made. Second, in parallel columns, a complete copy (except as indicated in the text), marked "Exhibit B," of the confidential report of Inspector in Charge Smith, which is the main document accompanying General Bristow's letter. Third, a complete copy, marked "Exhibit C," of the report which came as a result of the examination made when the Tulloch charges were submitted, and which embodies the answer, and the explanation of the transactions referred to.

It will be seen that the Tulloch statement and the inspector's report are practically identical. At many points the language is exactly the same. It is as if they were written by the same hand. The Tulloch statement was submitted to me. The inspector's report was submitted to the Fourth Assistant. It was the business of the inspector to find whatever seemed to call for explanation; it was left to the Postmaster-General to find the explanation and the truth.

This was done by probing the Tulloch statement when it was presented. All of the transactions described as irregular were examined and a report was made to me which took them up item by item and groups of items and gave the facts and the explanations in each case. To this report, which appears below as Exhibit C, I direct particular attention. If its statements are correct, then on most points its explanations are satisfactory. Its accuracy in all its specific averments has never been impeached in any quarter. On the main points it is believed to be beyond successful challenge.

These main points may be thus summed up, each in a sentence: First, names of military postal clerks were put on the general roll till the military appropriation became available; then they were transferred to the military roll. Second, the bond premiums of military postal clerks were paid for good reasons, which are plainly set forth and which had the approval of the Comptroller. Third, the purchases of Porto Rico supplies were made from the regular Department contractors named under competition and at regular contract prices. Fourth, the vouchers for expenses of Department officials traveling on official business were

made as required by the Auditor. Fifth, the lease of the Washington post-office was shown to be entirely justified. Sixth, the apparently double payment of those employed in examining letter carriers' claims is fully explained.

These points embrace all that are specified in the charges, except the items relating to appointments, including the individual cases of Larner and O. H. Smith, and thus the matters open to question are reduced to the appointments which, all told, involve 13 clerks and 7 cleaners. Even this is not an irreducible minimum, for several of these appointments, as shown in the explanatory statement, were perfectly right and beyond any question.

More than one-half of the inspector's report is taken up with a minute and detailed statement as to the cases of Larner and O. H. Smith. Of the latter I had no knowledge and say nothing. Of the former I have some recollection, as it was the only one of the cases that was appealed to me. Larner had been appointed a military postal clerk for Porto Rico by the First Assistant's Bureau. He went under a promise from that Bureau of compensation at the rate of \$1,400 a year. About that time I fixed the general compensation of clerks in Porto Rico, as I was empowered to do by law, at \$1,200 a year. When Larner returned he refused to settle his unsettled account on that basis and appealed to me. He insisted that he had been promised \$1,400 and I found on inquiry that this was true. I ordered that he should be paid what he had been promised as I had a right to do. Out of that question of rate and out of the question of the actual length of his service grew the whole story of alleged irregularity which takes up one-fourth of the inspector's report, except as it involves a few items of his expense account. One of the questions at issue in the latter was the question whether in the special Porto Rican service "seidlitz powders, pills, pennyroyal, and calomel" should be treated as a personal expense or as chargeable to the Government.

When the charges of irregularity were made my duty was plain. It was to have them examined and, if there were irregularities, to have them corrected. This is exactly what was done. The explanations were reported as they appear in Exhibit C, and to me most of them seemed satisfactory. I was the more assured in this judgment from the fact that the Comptroller of the Treasury, who made a searching investigation at the time and thoroughly examined all the vouchers, allowed all except \$160 in total amount. As to those points of the explanation which were not satisfactory to me I said in my letter of May 27, and can only repeat:

I should not be altogether candid if I did not say that in some cases I was not convinced of the necessity or propriety of the transactions. These questionable transactions consisted for the most part of placing on the roll a few persons the need of whose services was not clearly shown. When these facts developed the proper officers were instructed that every proceeding which could not be justified should be remedied and stopped.

The same report of the inspector, made in 1899, states at the conclusion that during the course of the inspection "he, Beavers, requested the inspector to inform the inspector in charge that when he struck the names of the charwomen off the stations it would be well not to mention them in his report, as they were personal appointments of the Postmaster-General."

I do not know whether this statement was made or not, but the fact is that of all the appointments referred to in the report I had personal

knowledge of and personal interest in only one. That was the case of a most estimable newspaper woman, long a successful Washington correspondent, whom I had known for twenty-five years, and who, through misfortune, was in much distress. Knowing her need and being able to help her I should have been a brute if I had failed to do so. As she was not on the roll of eligibles she could not be made a clerk, and I requested that a place should be found for her on the roll of laborers. Months afterwards I learned, to my surprise, that she was enrolled as a cleaner, and, though a refined lady of education, had conscientiously been doing a cleaner's work. Immediately I sought to find a place more suitable to her position and antecedents, and happily succeeded. That was absolutely the only case of all involved in which I had any personal part. If anybody thinks the Postmaster-General should know the number of cleaners and whether they were all at work, I have nothing to say.

General Bristow is entirely right in saying that he spoke to me at the time about the inspector's report. His statement would have been complete if he had added what I stated in my letter of May 27, as follows:

About the same time Fourth Assistant Postmaster-General Bristow informed me that inspectors had found the same apparent or actual irregularities in the Washington office. I advised him, according to my recollection, of the investigation which the Comptroller of the Treasury had made and of the steps which were being taken to rectify any wrong.

I wish to accept the largest measure of responsibility which belongs to me in connection with all these matters, but it seems due to fairness to state certain facts. The war against Spain, declared three or four days later, was dated back to April 21, 1898. That was the very day on which I was sworn in as Postmaster-General. My first duty, before even familiarizing myself with the Department, was to make immediate provision for the letters of the scattered army of 250,000 men which was promptly raised, followed by provision for the full mail of the islands. The administration had been installed for more than a year. The department force had been organized, and of course it was properly accepted as it was found. When the immediate duty in hand was taken up it was discovered, curiously enough, that there were absolutely no records of the military postal service in the civil war. There were no known precedents. We had nothing to guide us. We had to make our own plans. The determination of the general plan and policy devolved on the Postmaster-General. The execution of the details devolved on the First Assistant's Bureau. We had at first no special appropriation and so had to meet the requirements out of the regular appropriation. Afterwards, when the special appropriation became available, we had to recoup the general appropriation in order that the regular service might not suffer. These things were effected in part through the Washington office, and orders were given which subordinate officials neither did nor were required to understand, and out of it has grown a vast deal of unnecessary misunderstanding.

It is my purpose to address you respecting the letter of the Civil Service Commission on the subject, but that will more properly form a separate communication. The minor and unimportant report of Inspector Little, made in 1900, I shall deal with in a different way.

Respectfully, yours,

CHARLES EMORY SMITH.



## EXHIBIT A.

## THE TULLOCH CHARGES.

STATEMENT OF IRREGULARITIES REPORTED  
BY MR. S. W. TULLOCH TO POSTMASTER-  
GENERAL SMITH.

[The second of the above headings is an exact copy of the heading of the document as it was filed.]

*Item No. 1.*

E. S. Allen, employed at \$1,400 per annum, appointed March 15, 1899, as mechanic on military roll, engaged in traveling and testing canceling machines in the United States.

H. A. Cummings, appointed August 22, 1898, on military roll, detailed at Post-Office Department, \$1,000.

D. M. Monroe, appointed April 1, 1899, on military roll, detailed at Post-Office Department.

F. E. Murray, appointed September 21, 1898, on military roll, detailed at Post-Office Department, \$1,000.

None of the above-named parties appear to have performed any service in connection with military-post matter.

*Item No. 2.*

January 1 (evidently an error here or in the inspector's report, the dates January 1 and 3 manifestly referring to the same letter) and 10, 1899, First Assistant Postmaster-General, by letter, transferred 20 clerks from clerks' roll Washington, D. C., post-office to military roll. Most of these clerks are now employed as clerks in Washington, D. C., post-office.

*Item No. 3.*

Disallowance of the account of W. S. Larnier.

W. S. Larnier, military postal clerk, by order of the First Assistant Postmaster-

## EXHIBIT B.

## THE INSPECTOR'S REPORT.

EXHIBIT B ATTACHED TO GENERAL BRISTOW'S  
LETTER.

[Confidential report of Inspector in Charge Smith in connection with the inspection of the post-office at Washington, D. C., concluded June 30, 1899, setting forth certain irregularities discovered by him, which, in his judgment, indicate a condition of affairs demanding an immediate, thorough, and exhaustive investigation.]

*Item No. 1.*

Edward S. Allen, appointed March 16, 1899, \$1,400, as expert mechanic, military roll. It appears he is engaged in traveling and testing canceling machines in the United States.

H. A. Cummings, appointed August 22, 1898, transferred to military roll at \$900, and detailed to Department, salary and allowance division, January 17, 1899, promoted to \$1,000 to date from January 1, 1899.

D. M. Monroe, appointed April 1, 1899, placed on military roll by First Assistant Postmaster-General and reported to him for assignment. Not known where he is performing service, but supposed to be at Department.

Frank E. Murray, appointed September 21, 1898, at \$1,000, military roll, performing service at Department.

None of the above-named appear to have performed any service in connection with military postal matters, and no good reason appears, either, for their original appointment or continuance on the roll.

*Item No. 2.*

January 3 and 10, 1899, First Assistant Postmaster-General, by letter, transferred 20 clerks from clerks' roll to military roll, and inspector understands most of these are performing duty in the Washington post-office. Inspector cites letter of Acting First Assistant Postmaster-General, dated January 3, 1899 (G. W. B.), to the effect that "from January 1, 1899, the last 20 clerks appointed in your office will be paid from the military appropriation," and requesting a report showing the names of these clerks in order that they might be temporarily dropped from the regular clerk-hire roll.

*Item No. 3.*

The details of the payment to W. S. Larnier, a military postal clerk, under protest, by the cashier, of \$118.93, subsequently disallowed by the Auditor of the

General's office, was paid by the cashier of Washington, D. C., post-office the sum of \$118.93 under protest, which sum was subsequently disallowed by Auditor of the Treasury January 4, 1899.

Treasury on January 4, 1899, are set forth in a letter from the cashier to the postmaster, dated February 8, 1899, to the effect that on November 1, 1898, by direction of the First Assistant Postmaster-General, salaries and allowances division, October 31, 1898, he paid W. S. Larner, late military postal clerk, traveling expenses to Porto Rico and return, as follows:

Account quarter ended Sept. 30, 1898 .....	\$53.76
Account quarter ended Dec. 31, 1898 .....	57.01
	<hr/> 110.77

That the voucher for the quarter ended September 30, 1898, was forwarded to the Auditor with the postal account for that quarter; that on November 29, 1898, an unsigned letter bearing the initials G. W. B. was forwarded from the First Assistant Postmaster-General, salary and allowance division, directing the payment of Larner's salary up to and including November 15, 1898; that the attention of the salary and allowance division was called to the omission of the signature and the Washington office was advised "do not pay Larner after October 31 until otherwise advised." That on November 30, 1898, the First Assistant Postmaster-General, salary and allowance division, wrote, referring to communication of November 29, directing payment of salary due W. S. Larner up to and including November 15; that the Washington office was authorized to pay Larner to October 31, 1898, "from which date his services terminate."

That on December 8, 1898, the First Assistant Postmaster-General, salary and allowance division, wrote, referring to his letter of the 7th instant, authorizing payment of salary of W. S. Larner, clerk in military postal service in Porto Rico, up to and including October 31, 1898, authorizing the Washington office to pay Larner's salary to November 15 at the rate of \$1,200 per annum, stating that this would entitle him to \$48.91 for fifteen days, and that from this amount \$14 should be deducted as follows:

For meals on steamer <i>Seneca</i> , August 31, 1898, to September 7, 1898 .....	\$12
One bath tub for use of postal committee .....	2

These items having been disallowed in his account which was authorized to be paid under date of October 31, leaving a balance due of \$34.91, and that Larner's services terminate November 15, 1898.

That upon receipt of this letter vouchers of Larner on account of quarter ended December 31, 1898, were forwarded to

Auditor with the request for an examination, in order that final payment might be made Larner on his salary account; that before this request reached the Auditor the Washington office received from the Auditor communication, dated December 10, calling attention to voucher No. 46, W. S. Larner, \$53.76; and items for express charges, \$2.50; cab hire, September 7 to 30, \$7.50, and incidental expenses, August 30 to September 30, \$10, and stating that Larner should be required to submit a detailed statement of expenditures, amounting to \$10, for which he does not furnish vouchers.

That some hours after the receipt of this communication the cashier was obliged to leave his office and left instructions that if Mr. Larner called he was to be informed no final payment could be made him until his expense account was adjusted by the Auditor, as he would be required to furnish the information called for by the Auditor and additional information as might be required in similar items in his account of December 31, 1898; that during the cashier's absence Larner called, refused to wait for reply from the Auditor, demanded an immediate settlement, which was refused, and proceeded to the Department with reference to the matter; that the postmaster being confined at the time by sickness, the assistant postmaster received a telephone message from the Department asking why Larner could not receive the salary authorized to be paid him; that response being made that the cashier did not care to make final settlement until he had ascertained the items in the account disallowed by the Auditor or what corrections might be necessary, the assistant postmaster was informed that the Washington office "held a letter from the First Assistant Postmaster-General directing payment to be made Mr. Larner, and if that was not good enough perhaps it would obey one signed by the Postmaster-General." That the assistant postmaster having called the matter to the attention of the cashier was informed that if payment was desired under the circumstances it would be made under protest and only under written instructions; that Larner again demanded the amount claimed to be due him, and refused to receipt for same at \$1,200 per annum, claiming he was to be paid at \$1,400, and had so arranged with the Department; that satisfactory instructions in writing having been received from the assistant postmaster Larner was paid at the rate of \$1,400 per annum for the period November 1 to 15, less \$14 disallowed.

That on December 13, 1898, the Auditor, replying to the request for examination of Larner's vouchers, reported that the claim for subsistence, \$10.50, October 4

to 11, should specify places where such sum was expended; an item of \$10 for expenses from October 1 to 24, for which no vouchers were obtainable, should be accompanied by a detail statement; that on December 12 and 14, 1898, Larner was requested to call at the Washington office and furnish information required by the Auditor and return \$8.16 overpayment of salary obtained by misrepresentation; that on December 16 Mrs. Larner stated that Mr. Larner was out of town; that she was requested to forward the correspondence to Mr. Larner, but that no answer was received to such requests; that on January 4, 1899, the Auditor disallowed the account of Larner for quarter ended September 30, 1898, pending compliance with his demand; that he would also do this with reference to the voucher account of quarter ended December 31, 1898, and that the cashier having paid the amounts in question under protest in pursuance of written instructions, \$118.93 would be suspended against the postmaster and his bond, subject to such credit as might ultimately be obtained from the Auditor on account of vouchers submitted by Larner.

#### Item No. 4.

Payment of bonds of military postal clerks.

August 11, 1898. Authority of the First Assistant Postmaster-General, premium on bond of G. M. Hunt and stamp on bond of N. A. Smith, \$25.50.

August 26, 1898. Authority for payment of premium on bonds of Whitney, McKenna, and Van Alstyn, \$61.50.

(Here follow other cases of the same kind.)

#### Item No. 5.—Purchases for military service.

Purchase of the following items were authorized on the dates below:

February 3, 1899, bill of M. D. Helm, 3,500 pounds of jute twine, at \$0.0665 per pound.	\$232.75
February 23, 1899, traveling expenses of L. J. Robinson from Appleton, Wis., to Washington, D. C.	23.00
February 7, 1899, bill of John C. Parker for stationery	96.45
March 2, 1899, bill of Ballantyne R. Carter.	82.69
March 2, 1899, bill of Andrews, R. P., & Co.	23.50
March 28, 1899, bill of J. C. Parker, 24 cuspidors.	24.00
March 28, 1899, bill of M. D. Helm, 542 pounds twine, 0.0665 per pound.	36.04
March 7, 1899, bill of Gerry Jones, letter scales.	40.50

#### Item No. 4.

Attention is called to the payment of premium on the bond of military postal clerks by the Washington office, on authority of the First Assistant Postmaster-General, which appears to have been made without authority of law, as expenses of official bonds are not chargeable to the United States. Items are given showing for whom paid and amounts, aggregating \$393.15.

#### Item No. 5.

Attention is called to certain items of expenditures authorized for the military postal service of supplies, furniture, traveling expenses, aggregating \$8,750.70, with the statement that whether or not the foregoing items were purchased in the open market, or as the result of competitive bids, the inspector is unable to say, but that the prices paid for some of the articles enumerated, such as washstands at \$40 each, appear to have been highly excessive, and lead to the belief that the feature of competition did not enter into the transaction.

March 28, 1898, bill of A. L. Nash, stationery.....	\$28. 75
March 31, 1899, bill of Mosler Safe Co., one safe.....	300. 00
March 31, 1899, bill of Ault Wiborg Co., canceling ink.....	54. 00
May 5 and 6, 1899, bill of J. Holt Livingstone, for furniture, Porto Rico. (Question as to competition; prices appear to be high.) .....	509. 10
May 5, 1899, bill of J. C. Parker, for stationery.....	43. 90
April 27, 1899, bill of J. C. Parker, for stationery.....	256. 30
April 27, 1899, bill of J. C. Parker, for stationery.....	30. 00
April 22, 1899, bill of J. C. Parker, for two seats.....	2. 00
April 10, 1899, bill of J. C. Parker.....	13. 50
April 10, 1899, bill of J. C. Parker.....	10. 00
April 27, 1899, bill of George W. Cobb, jr., for furniture shipped to Porto Rico.....	1, 118. 00
May 6, 1899, bill of G. W. Cobb, for furniture.....	617. 50
May 6, 1899, bill of C. S. Braisted, 475 dozen pencils, blue, 8, 5, 10.....	40. 37
May 12, 1899, bill of J. C. Parker, for stationery.....	90. 00
May 22, 1899, bill of J. C. Parker, 6 clocks, \$12.50.....	75. 00
May 22, 1899, bill of J. C. Parker, Smith Premier typewriter .....	100. 00
May 22, 1899, bill of J. C. Parker, typewriter cabinet..	25. 00
May 22, 1899, bill of J. C. Parker, chair.....	7. 00
May 22, 1899, bill of J. C. Parker, copy holder .....	2. 00
May 22, 1899, bill of J. C. Parker, dictionary holder .....	5. 00
May 22, 1899, bill of J. C. Parker, 12 bill files .....	1. 75
May 22, 1899, bill of J. C. Parker, 5,000 sheets Crane's linen typewriter paper, at \$3.....	15. 00
May 22, 1899, bill of J. C. Parker for stationery.....	119. 50
May 22, 1899, bill of J. C. Parker for stationery.....	52. 00
May 22, 1899, bill of J. C. Parker for engraving plate and printing 400 official cards....	5. 25
May 22, 1899, bill of G. W. Cobb, jr., 3 washstands, at \$40 each.	120. 00
May 22, 1899, bill of G. W. Cobb, jr., 1 Densmore typewriter..	97. 00
June 3, 1899, bill of J. Holt Livingstone for furniture....	219. 80
May 23, 1899, bill of M. D. Helm for printer's machine, type, and general supplies.....	2, 041. 80

May 26, 1899, bill of J. C. Parker, file boxes, rival stamp racks, caution cards .....	\$92. 25
June 19, 1899, bill of J. Holt Livingstone, post-office boxes, fixtures, and furniture, contracted for .....	1, 725. 00
June 15, 1899, bill of Yale & Towne Manufacturing Co., furniture shipped to Porto Rico .....	375. 00
Total .....	8, 750. 70

Some of the articles enumerated, such as washstands, at \$40, appear to be highly excessive and lead to the belief that the feature of competition did not enter into the transaction.

#### Item No. 6.

Additional irregularities in connection with pay rolls of the clerks and laborers.

Nathen H. Baker, appointed April 29, 1899, as a laborer at \$700 per annum, and also paid as a mechanic at \$2 per day, except Sunday.

Margaret S. Burke. December 1, 1898, appointed at \$600.

Dropped April 8, 1898. Performed no service. (Evidently a clerical error, as to dates, made in copying.)

Gilmer Colson. December 6, 1898, appointed laborer by First Assistant Postmaster-General; supposed to be employed in the Post-Office Department; performed no duty in the city post-office.

R. W. B. Dorsey. October 22, 1898, appointed laborer at \$600 by First Assistant Postmaster-General. October 26, 1898, promoted to \$700 from date of appointment. Dropped November 11, 1898, by First Assistant Postmaster-General.

Oscar Durante, appointed September 8, 1898, military postal service, at \$1,400 and expenses. Services ceased April 30, 1899. Paid salary, \$902.88; expenses, \$187.25. No service was performed by Mr. Durante from January 1, 1899, to April 30, 1899.

Robert V. Willett, son of the late postmaster, was appointed laborer June 21, 1898, at \$600 per annum, by order of the First Assistant Postmaster-General; also appointed a mechanic at \$2 a day on July 1, 1898, and was allowed three items aggregating \$46.15 for expenses incurred at Camp Alger before his appointment as military postal clerk at \$1,200, which occurred March 1, 1899, at which time he was assigned to duty at the Georgetown station and was carried on the rolls until the end of the fiscal year, June 30, 1899.

H. V. Willett, another son of the late postmaster, was also appointed military postal clerk on September 9, 1898, at \$1,200, assigned to duty in the cashier's

#### Item No. 6.

Attention is called to additional irregularities in connection with pay rolls of clerks and laborers, to wit:

N. H. Baker, appointed April 29, 1899, as a laborer at \$700 per annum, and also paid as a mechanic at \$2 per day, except Sunday.

Margaret S. Burke, appointed December 1, 1898, at \$600, dropped April 8, 1899; performed no service.

Gilmore Colson, appointed December 6, 1898, laborer, by First Assistant Postmaster-General; supposed to be employed in the department; performed no duty in the Washington office.

R. W. B. Dorsey, appointed October 22, 1898, \$600, by First Assistant Postmaster-General; promoted October 26, 1898, to \$700 from date of appointment, November 11, 1898, by First Assistant Postmaster-General.

Oscar Durant, appointed September 8, 1898, military postal service, \$1,400 per annum and expenses; services ceased April 30, 1899; paid salary, \$902.38; expenses, \$187.25. No services performed from January 1 to April 30, 1899.

Dr. J. E. Jones, appointed September 3, 1898, physician, at \$1,700 per annum for ninety days from September 6, 1898. December 21, 1898, his services were directed to be continued until further orders, since which time he has been continually employed as "physician to the Washington, D. C., post-office." This appointment appears to be entirely unwarranted, as no provision of law can be found authorizing it.

R. V. Willett, son of late postmaster, appointed laborer June 21, 1898, \$600 per annum, by order of First Assistant Postmaster-General, also appointed a mechanic at \$2 per day on July 1, 1898. Was allowed three items aggregating \$46.15 for expenses incurred at Camp Alger before his appointment as military

room of the Washington, D. C., city post-office, and was carried on the roll until June 30, 1899.

postal clerk at \$1,200, which occurred March 1, 1899, at which time he was assigned to duty at the Georgetown station and carried on the rolls until June 30, 1899.

H. V. Willett, son of late postmaster, appointed military postal clerk September 9, 1898, at \$1,200; assigned to duty in the cashier's room of the Washington office and carried on the roll until June 30, 1899.

*Item No. 7.*

Irregularity in the appointment, compensation, and promotion of Oliver H. Smith.

Acting upon authority from the First Assistant Postmaster-General's Office this man drew pay from November 23, 1897, to November 30, 1898, as follows:

First. The sum of \$600 from the appropriation for clerk hire, although appointed as laborer.

Second. Two dollars per diem for every working day on the mechanics' roll.

Third. Was paid an average of \$7.50 per month for car fare during the entire time.

Fourth. Was also granted, in addition to all this, two separate items for expenses at Camp Alger—one \$15.60, the other \$12.

Showing approximately that his compensation for one year was \$1,349.60.

No one has certified to the actual time Mr. Smith was employed during the year, nor has any statement been attached to his pay vouchers showing what particular service he rendered in return for his compensation. This party was continued in the dual capacity of clerk and mechanic until April 1, 1899, when he was promoted to finance clerk at \$1,700 per annum.

*Item No. 7.*

Attention is called to irregularities in the appointment, compensation, and promotion of Oliver H. Smith. It appears that on November 20, 1897, the First Assistant Postmaster-General authorized an allowance of \$600 per annum for appointment of O. H. Smith as laborer, stating that free-delivery division would also make an allowance of \$2 per day to cover car fare and incidental expenses. He reported for duty November 23. December 15, 1897, First Assistant Postmaster-General stated that Smith had been detailed to assist in repairing, painting, and erecting street letter boxes, and would be paid through the Washington office at the rate of \$2 per day for every working day, commencing November 23. March 11, 1898, the First Assistant's office authorized the payment to Smith of \$30 for car fare in connection with the inspection of various stations and substations, from March 1 to June 30, 1898. August 3, 1898, First Assistant's office authorized payment of necessary expenses of Smith incurred in July, 1898, for car fare, wagon hire, and meals, in connection with handling military mail at Falls Church, Va., \$15.60. September 30, 1898, First Assistant's office authorized payment of \$12, account transportation, handling mails, meals, etc., during August, 1898.

It appears from the records, acting upon these authorizations, Smith drew pay from November 23, 1897, to November 30, 1898, making his compensation for one year approximately \$1,348.60. No one has certified to the actual time Smith was employed nor has any statement been attached to his pay vouchers showing what particular services he rendered in return for his compensation. He was continued in the dual capacity of clerk and mechanic until April 1, 1899, when he was promoted to finance clerk at \$1,700 per annum. By what authority of law his original appointment or subsequent promotion was made the inspector does not know.

(Then follows a long account of a scrimmage between the cashier, on the one hand, and Smith and one Towers, on the other, Towers seeming to be under the influence of liquor.)

*Item No. 8.*
**Miscellaneous.**

The following vouchers were authorized to be paid by the First Assistant Postmaster-General's Office under dates as appear below:

July 22, 1898, expenses of Perry S. Heath and George W. Beavers, incurred in visiting Philadelphia and New York on official business.....	\$87.25
August 10, 1898, expenses of George W. Beavers, official business at Newark, N. J.....	8.70
September 30, 1898, expenses of George W. Beavers, traveling on official business.....	17.75
October 13, 1898, expenses of George W. Beavers, traveling on official business.....	42.35
December 19, 1898, expenses of George W. Beavers, on postal tubes and canceling machine..	11.00
February 10, 1899, expenses of George W. Beavers, New York.	12.80
March 13, 1899, expenses of George W. Beavers, Massachusetts....	17.30
May 15, 1899, expenses of George W. Beavers, Philadelphia and Hartford.....	20.15

(Beavers's expenses) Total. 130.05

May 6, 1898, expenses of G. D. Fisher (salaries and allowances division) at Philadelphia, Scranton, and Wilkesbarre, Pa.	30.15
July 26, 1898, expenses of M. W. Louis and Blaine W. Taylor in traveling on official business...	50.15
September 21, 1898, expenses of M. W. Louis and Blaine W. Taylor in traveling on official business.....	34.75
March 31, 1898, expenses of M. W. Louis (supplies division), Brooklyn, N. Y.....	23.15
October 20, 1898, expenses of James A. Sullivan, employed on first and second class offices...	54.07
October 21, 1898, expenses of Force & Co., for numbering machines, salaries and allowances division.....	4.75
November 3, 1898, expenses of G. A. Flad, transportation from Washington, D. C., to Cleveland, Ohio, and return (safe and lock expert).....	34.40
November 3, 1898, expenses of A. S. Riddle, for inspection of post-office safes, Cleveland, Ohio.....	10.25

These vouchers of expenses do not appear to be itemized in a proper manner, nor is the necessity for the expenditure of this money by the Washington City post-office apparent.

*Item No. 8.*

Attention is called to certain vouchers, which are described, which were authorized to be paid by the First Assistant Postmaster-General, such as July 22, 1898, expenses of Perry S. Heath and George W. Beavers, incurred in visiting Philadelphia and New York on official business, \$87.25; September 30, expenses of George W. Beavers, traveling on official business, \$17.75; July 26, expenses of M. W. Louis and Blaine W. Taylor, traveling on official business, \$50.15. (The other items referred to are in the same form as the examples given.) The inspector states that these vouchers do not appear to have been itemized in the proper manner, nor is the necessity for the expenditure of this money by the Washington post-office apparent, and that a full and complete explanation should be made, especially as many of the parties drawing money on these accounts are officials or clerks receiving money from the Department.



*Item No. 9.*

## Cleaners.

The following-named persons were placed on the pay roll of the Washington, D. C., post-office, and designated as cleaners, under authority of the First Assistant Postmaster-General, to be charged to the appropriation of miscellaneous expenses:

Per annum.

July 27, 1898, Emma Janes .....	\$600
July 27, 1898, Fannie R. Winans..	600
September 6, 1898, Fannie L. Jeffrey .....	600
September 7, 1898, Laura A. Nevitt.	600
January 9, 1899, Lizzie Crowther..	400
January 25, 1899, Frances Daly....	480
March 14, 1899, Mrs. Helen Fenton.	600

These parties have received pay from the date of their appointment to June 30, 1899, and are still on the pay rolls, and have performed practically no service whatever.

*Item No. 10.*

## Lease.

By the terms of a lease executed July 28, 1897, by the Union Building Company, of Washington, D. C., and by the Postmaster-General, September 13, 1897, the premises on G street, heretofore leased by the Post-Office Department for the main office, Washington, D. C., was leased for the period of one year from and after October 1, 1897, for the sum of \$20,000 per annum, payable monthly, with the privilege to cancel same to take effect May 1, 1898, by giving three months' notice. To be canceled at the option of the Postmaster-General by notice in writing to owners.

On July 14, 1898, the postmaster at Washington, D. C., was authorized by the First Assistant Postmaster-General to pay rental monthly at the rate of \$22,500 from July 1, 1898, until otherwise directed. This authority dated back overlapping the term of the lease three months, resulting in a loss to the Government from July 1 to September 30, 1898, of \$625, the difference between \$20,000, as called for by the lease which did not expire until October 1, 1898, and \$22,500, as authorized to be paid by the First Assistant Postmaster-General. In addition thereto the city post-office was moved to its new quarters on the 30th of November, 1898, but rental for these premises was continued and paid until the 1st day of January, 1899, at the rate of \$22,500 per annum, thus showing a further sum of \$1,895.38, which was paid for the month of December, or a total loss of \$2,520.38.

*Item No. 9.*

Attention is called to seven cleaners, placed on the pay roll of the Washington office under authority of the First Assistant Postmaster-General, to be charged to the appropriation for miscellaneous expenses. (The names of these cleaners, all female, date of appointment, and salary are given.) The inspector states that these parties are on the pay roll and have received pay from date of appointment to June 30, 1899, the date of the inspection, and upon his making inquiry of postmaster as to the nature of service performed by them, where employed, postmaster was unable to give any information on the subject, nor was anyone connected with the Washington office able to give any information as to where they were employed or the nature of their work, and inspector is of opinion that practically no service whatever has been rendered for the money expended.

*Item No. 10.*

Inspector states that by the terms of a lease executed July 28, 1897, by the Union Building Company, of Washington, and the Postmaster-General, September 13, 1897, the premises on G street, heretofore leased by the Department for the main office, Washington post-office, were leased for one year from and after October 1, 1897, for \$20,000 per annum, with privilege to cancel same to take effect May 1, 1898, by giving notice of three months; and that on July 14, 1898, the postmaster at Washington was authorized by the First Assistant Postmaster-General to pay rental at the rate of \$22,500 from July 1, 1898, until otherwise directed, and this authority overlapping the term of the lease three months from July 1 to September 30, 1898, resulted in the loss to the Government of \$625.

That the Washington post-office was moved to its new quarters November 30, 1898, but that rental for these premises was paid to January 1, 1899, at the rate of \$22,500 per annum, a loss to the Government for the month of December.

## Item No. 11.

Incidental expenses: Free delivery service.

Authority from the office of the First Assistant Postmaster-General to pay the following-named persons per diem in connection with claims of letter carriers for overtime charges:

Katherine Endley, from July 14, 1898, to April 28, 1899	\$1,305
Charles A. Machen, from July 14, 1898, to April 28, 1899	1,040
A. B. Hurt, from July 30, 1898, to April 28, 1899	1,040
H. L. Lorenz, from July 30, 1898, to April 28, 1899	1,040
John S. Leach, from October 18, 1898 (30 days)	90
F. W. Wait, from April 23, 1898 (35 days)	140
<b>Total</b>	<b>4,655</b>

The honorable Comptroller of the Treasury states under date of April 26, 1899, that this money was paid without authority of law, and that C. A. Machen, H. L. Lorenz, and A. B. Hurt were paid per diems covering the same periods by the disbursing clerk of the Department of Justice from the appropriation for defending suits in claims against the United States for services in letter-carrier claims before the Court of Claims, and these are understood to be the same services for which they were paid by the Washington, D. C., postmaster, as above.

Upon receipt of a letter from the Comptroller, above referred to, the cashier of the Washington, D. C., post-office suspended all payments to the parties mentioned in said letter and called upon them to furnish certain affidavits required by the Comptroller. The cashier was, however, required to continue these payments under direct written orders from the postmaster, who stated that he was verbally instructed in this action by the First Assistant Postmaster-General, and the payments were made under the cashier's protest.

## Item No. 11.

The inspector sets forth a statement of payment to Katherine Endsley, Charles A. Machen, A. B. Hurt, H. L. Lorenz, John S. Leach, and F. W. Wait, on authority of the First Assistant Postmaster-General, of per diem in connection with claims of letter carriers for overtime charges, aggregating \$4,655. The inspector states that this amount disbursed from July 1, 1898, to May 1, 1899, was disbursed without authority of law, and calls attention to the comment thereon by the Comptroller of the Treasury in a letter to the postmaster at Washington, dated April 26, 1899, in which, referring to such disbursements, he says that these vouchers are for services on letter carriers' claims; expenses can not be allowed without affidavit showing all items and the date and amount of each item. If these are per diems in lieu of subsistence, cite the law authorizing payment. Furnish a statement from each of the above-named persons showing what payments have been received by them from other disbursing officers of the Government for services or expenses from July 1 to September 30, 1898. Machen, Lorenz, and Hurt are paid per diem covering the same period by the disbursing clerk of the Department of Justice, from the appropriation for defending suits in claims against the United States, for services in letter-carrier claims before the Court of Claims. These are understood to be the same services for which you have paid them. Attention is called to the provisions of section 3682, Revised Statutes, prohibiting payment of salary or per diem from this appropriation in your account for incidental expenses for free-delivery service.

(Then follows a voluminous statement of items to which the Comptroller of the Treasury objected or on which he called for vouchers. Enough of these are given to indicate the character of all.)

Referring to payment of \$150 each to Oliver H. Smith and Robert V. Willett, the Comptroller asks for statements from these persons showing capacity in which employed, dates of actual service, and where service was performed each day.

Under article 16, "Advertising," attention is called to failure to furnish affidavit of publishers showing that the rates charged do not exceed the commercial rates charged to individuals with the usual discount.

Attention is also called to vouchers of certain persons for cleaning, which do not show what sort of cleaning was done, and request is made for an affidavit showing what service was performed and where performed each day and the rate of pay in each case, as under section 3682, Re-

vised Statutes, salaries should not be paid from the appropriation for miscellaneous expenses.

Referring to vouchers of O. H. Smith for street-car tickets, affidavit is requested showing when, where, and on what service car tickets were used, and the statement made that car tickets should be purchased from a street-car company, vouchers therefore being signed by the treasurer of the company.

Referring to item of Western Union Telegraph Company, \$13.69, request is made for copies of telegrams.

Voucher 2, M. W. Louis and B. W. Taylor, fees for waiters and porters, \$1.50, request is made for itemized statement for amounts paid to waiters and amounts paid to porters, fees to waiters not being proper charges against the Government and fees to porters on sleeping cars being allowed not to exceed 25 cents a day.

Voucher 3, G. W. Beavers, traveling expenses, \$8.70, and voucher 5, G. W. Beavers, traveling expenses, \$17.75, affidavit requested showing all items, amount of each, and copies of telegrams.

Under the head of Military Postal Service, expenses of postal clerks, attention is called to certain vouchers not completely itemized with request for a statement from each clerk showing all the items of his account, with date and amount, where expenses for meals and other items were incurred, the statement being made that most of the vouchers appear to be for expenses at Falls Church and Camp Alger, and that clerks should be careful to note where each meal was taken, board at headquarters not being allowed unless expressly authorized by law.

In voucher 46, W. S. Lerner's drug bill, the charges for seidlitz powders, pills, pennyroyal, calomel, etc., are personal expenses, and not chargeable to the United States.

In conclusion the inspector states that the files of the cashiers show full, direct, and positive orders from superior authority for the disbursement of all the questionable items mentioned in this report; that the responsibility for the many illegal appointments, the payment of two salaries to one and the same person, and the disbursement of thousands of dollars for which practically no service was performed, should be placed where it properly belongs and the many abuses corrected.

Under date of July 5, 1899, referring to the inspection of the Washington office, concluded June 30, 1899, Inspector Owings states that they found the name of one charwoman on the roster of Stations A, B, and G, and the superintendents were unable to state what duties they

performed and what salaries paid; that in conversation with Mr. Beavers, chief of salaries and allowance division, after the transfer of the post-office to Postmaster Merritt, he (Beavers) requested the inspector to inform the inspector in charge that when he struck the names of the charwoman off the stations it would be well not to mention them in his report, as they were personal appointments of the Postmaster-General, and their appointment had been authorized by the Department, and that they had only been temporarily assigned to the stations until they could be assigned elsewhere.

## EXHIBIT C.

### THE EXPLANATIONS.

#### EXPLANATION OF IRREGULARITIES REPORTED BY MR. S. W. TULLOCH TO POSTMASTER-GENERAL SMITH.

[This is the report which was submitted to Postmaster-General Smith on the Tulloch charges and which has been on file in the Department since 1899.]

*Item No. 1.—“Employment of E. S. Allen, H. A. Cummins, D. M. Monroe, and F. E. Murray on military roll, detailed to Post-Office Department.”*

When the appropriation for the military postal service was made by Congress the question of extra clerks was overlooked. The disbursement of this appropriation, and correspondence, etc., connected therewith was thrown upon the salary and allowance division, a division already overburdened with the regular appropriations. These clerks were therefore temporarily detailed to said division in order to keep the work in proper shape. Their employment, consequently, was a war exigency pure and simple, and fully justified by the conditions then existing.

*Item No. 2.—“Transfer of twenty clerks from regular clerk roll of Washington City post-office to military postal roll.”*

These appointments were made necessary by reason of the fact that early in the fiscal year and before the military appropriation had become available, our regular appropriations were heavily drawn upon to meet military necessities; hence, toward the close of the year it was necessary to recoup in order to save a deficiency in the regular appropriation; and for this reason alone their employment was authorized. The mails for Porto Rico were ordered sent to Washington, D. C., for distribution (by regiment and company) before dispatch. These men were either employed upon or took the place of clerks handling military mail. Before adopting this plan, however, the matter was carefully canvassed, and it was considered better to employ the above-mentioned persons on the military roll than to have a deficiency in the regular clerk-hire appropriation.

These clerks were eligible substitutes, regularly drawn from the civil-service register, and on July 1, 1899, when the new appropriation became available, they were returned to the regular clerk-hire roll.

*Item No. 3.—“Payment of W. S. Larner, military postal clerk, by order of the First Assistant Postmaster-General.”*

The account was carefully revised by the Auditor and certain items contained therein were disallowed. The questionable items have since been paid by late Postmaster Willett, and the account has been allowed or “passed” by the Auditor.

*Item No. 4.—“Payment of bonds for military postal clerks.”*

The payment for bonds on account of military clerks in question was made at the time when the service was organized. Many of these clerks were comparatively unknown to the local postal authorities, and in order to protect Postmaster Willett and his sureties an indemnity bond was secured in each case and paid for by the Government. The Comptroller has since considered these payments, and is rather inclined to the opinion that the same was a war exigency, and, while not entirely regular, was not unwarranted under the circumstances.

*Item No. 5.—“Purchase of items for the military postal service, twine, stationery, letter scales, safes, canceling ink, furniture, and miscellaneous articles.”*

As long as our regular stock in the supply division was available these items were furnished without specific charge against the Cuba and Porto Rico postal services. When, however, it was found that our regular stock of supplies was becoming exhausted or depleted the goods requested, in almost every instance, were ordered from the regular departmental bidders. Mr. Helm has been the successful bidder for the past two years on the twine item for the Department; Gerry Jones, for letter scales; Mosler Safe Company, for safes; Ault-Wiborg Company, for canceling ink; Braisted, for lead pencils, and R. Carter Ballantyne, John C. Parker, and A. O. Nash, on the stationery items. The Yale & Towne Company and J. Holt Livingston are regular departmental contractors for post-office furniture, and in both instances it was the expressed wish of the director-general of posts of Porto Rico that the articles enumerated in his requisition be furnished by the manufacturers in question. The lack of competition suggested is only apparent, since most of the dealers referred to are and have been regular bidders for departmental business for years past, and the prices charged fairly approximate those regularly charged the Department, with freight and cartage added.

*Item No. 6.—“Additional irregularities in connection with pay roll of clerks and laborers.”*

Gilmer Colson, referred to as having been appointed as laborer December 6, 1898, and supposed to be employed in the Post-Office Department, was regularly employed in the Post-Office Department as a stoker in the fireroom. Mr. A. S. Riddle, assistant engineer, regularly enrolled on the Post-Office Department pay roll, and paid from the departmental appropriation, was assigned to the care of an engine in the new Post-Office building, at the especial request of the honorable Secretary of the Treasury, there being no fund at the command of either the Treasury Department or the Post-Office Department for the employment of an engineer for this building until same was occupied by the Post-Office Department. This was merely a temporary arrangement. In other words, Colson could perform Riddle's duties in the Post-Office Department, but it was necessary in the new Post-Office building to have a skilled engineer; hence the temporary detail of Mr. Riddle.

The other persons mentioned were regularly appointed, and should have been detailed to regular duty by the postmaster. That they were not regularly employed was never brought to the official notice of this Department.

*Item No. 7.—“Irregularity in the appointment, compensation, and promotion of Oliver H. Smith.”*

The records of the free-delivery division show that Mr. Smith was paid at the rate of \$2 per day for his employment during a part of the day in the painting, repairing, and erecting of street letter boxes, and the performance of such other work as he might be called upon to perform.

The payment of Mr. Smith from two branches of the service was not deemed irregular, as the Department was of the opinion that any employee receiving \$2,500 or less could be paid compensation on two different rolls. Section 53, Postal Laws and Regulations, edition of 1893, reads:

“No person who holds an office the salary or annual compensation attached to which amounts to the sum of \$2,500 shall receive compensation for discharging the duties of any other office, unless expressly authorized by law. (R. S., P. 1763).”

As soon as the Comptroller of the Treasury called the Department's attention to this technical irregularity it was discontinued.

*Item No. 8.—“Expenses of certain Post-Office Department officials paid through the Washington, D. C., post-office.”*

These expense accounts were duly sworn to and made out in the form and manner prescribed by the Sixth Auditor of the Treasury for the Post-Office Department.

Vouchers were furnished where possible and the entire account regularly sworn to. This practice of paying departmental officials' expenses for traveling has been in vogue for many years, and has never been questioned. Recently, however, the Comptroller suggested that similar accounts be hereafter paid by warrant through the disbursing officer of the Post-Office Department, and arrangements have been made accordingly.

*Item No. 9.—“Cleaners.”*

The persons referred to as cleaners were regularly appointed and detailed to the post-office at Washington, D. C. The postmaster was instructed, and it was part of his duty, to have provided employment for them; or reported to this Department if it was a fact that there was no employment for them, when their services would have been dispensed with.

*Item No. 10.—“Lease of Union Building for Washington City post-office.”*

On June 24 and June 28, 1898, the attention of the Treasury Department was invited to the fact that the lease of the premises occupied by the Washington City post-office would expire on October 1 of that year, and it was asked that the date be fixed when the new Government building would be ready for its occupancy. It was also stated that the owners of the Union Building were anxious to consider another permanent tenant for their premises and that they very much desired to know when said premises would be vacated and at their disposal.

In reply thereto, on June 30, the honorable Secretary of the Treasury advises as follows, through the Supervising Architect:

(Here follow extracts from letters of the Secretary of the Treasury of June 30, July 6, and August 24, indicating when the new building was expected to be ready, and successively reporting delays and postponement.)

On July 6 the new premises were inspected by a committee from this Department, and the conditions as stated in the last letter of the honorable Secretary of the Treasury being then clearly evident negotiations were resumed with the lessors of the Union Building looking toward an extension of the lease ending September 30, 1898, until such a time as the Government building could be made ready for our occupancy. The lessors would not rent for a lower rental than \$25,000 per annum and would consider no proposal for a shorter period than one year. Finally a lease at \$22,500 from July 1, 1898, was agreed upon, the lease to run one year, or until the post-office could be moved into the new Government building.

At this particular time it appeared that the new building would not be ready until the following spring, and that if the Government were to pay at the rate of \$20,000 per annum for the months of July, August, and September, 1898, and at the rate of \$25,000 per annum thereafter, the Government would be a loser thereby, especially if there should be any accident or unforeseen delay. The lease was, therefore, canceled, and a new lease made at \$22,500 from July 1, 1898, as above shown. As a matter of fact, however, had we continued under the \$20,000 lease, and been obliged to pay at the rate of \$25,000 for October, November, and December, 1898, the result in dollars and cents would have been the same. The lease last made was canceled December 31, 1898, by removal to the new Government building on November 30, 1898. As fully four-fifths of the old post-office equipment was not moved from the Union Building (the Treasury Department having provided new equipment for the new Government building), the old premises were required for the first few days in December, for the condemnation, auction, and sale of the Government property. Having retained possession of the premises for a few days in December, the Department was liable for a full month's rental.

*Item No. 11.—“Incidental expenses of certain persons in connection with the claims of letter carriers for overtime charges.”*

Before taking up this item in detail it is proper that a brief statement should be made of the conditions that induced the Post-Office Department to pay the expenses of the persons employed by the Department of Justice in the settlement of letter carriers' overtime claims.

The eight-hour law was passed May 24, 1888. Little or no effective effort was made between 1888 and 1893 to enforce the law. This resulted in the wholesale making of overtime, for which letter carriers brought suit in the Court of Claims. Prior to 1893 a few cases were settled, but in every instance for the full amount claimed. At that time all testimony was in the form of depositions taken by attorneys who, having had no experience whatever in the postal service, were unfamiliar

with the details of the free-delivery service and the duties of letter carriers. Under such circumstances the Government presented a very weak defense, and the carrier was invariably given judgment for the full amount of his claim. It became very apparent that at this rate it would require at least \$9,000,000 and about twenty-five years to settle all claims.

Both Postmaster-General Bissell and Assistant Attorney-General Dodge were impressed with the necessity of devising some practice or method by which the great accumulation of overtime claims might be speedily settled and in such a manner that the interests of the Government would be fully protected. After a conference between the Post-Office Department and the Department of Justice it was decided that instead of having depositions taken in the various offices by local attorneys the Court of Claims would appoint as commissioners persons thoroughly familiar with the free-delivery service to examine the records and witnesses in the presence of the claimants' attorneys and report their findings to the Court of Claims.

It was then agreed that the Post-Office Department would bear its share of the expenses of these commissioners, including transportation.

I quote from the report of the Postmaster-General for the fiscal year ended June 30, 1894, as follows:

"To expedite a settlement of these claims (letter carriers' overtime claims), in which the interests of the Department as well as those of the letter carriers might be fully protected, an arrangement was made with the Department of Justice by which the assistant superintendent of the free-delivery system was commissioned by the Court of Claims a special commissioner in the settlement of overtime claims by letter carriers. The special commissioner entered upon his duties January 9, 1894 \* \* \*. On September 15, 1894, the Court of Claims appointed another special commissioner to investigate and report upon letter carriers' overtime claims, and this office detailed a clerk of the free-delivery division to assist the commissioners in making necessary computations and to perform other clerical work necessary to a prompt adjudication of all claims."

Again, from the Postmaster-General's report for the year ended June 30, 1895:

"The assistant superintendent of the free-delivery division and another employee of the Department, who were selected by the Court of Claims to act as special commissioners in the settlement of overtime claims, made very satisfactory progress in their investigation, and their work during the past year has produced very gratifying results, which are contained in the following statement:

Amount of judgments rendered by the Court of Claims on the reports of the commissioners, for which Congress was requested by the Secretary of the Treasury to provide an appropriation.....	\$951, 282. 94
Amount of judgments rendered since the adjournment of Congress ...	327, 841. 37
Total amount in judgments .....	1, 279, 124. 31

"This represents about 70 per cent of the amounts claimed and shows a saving to the Government of about \$550,000. Fully 99 per cent of these judgments represent claims that accrued before 1893, practically no effort having been made prior to that time for the disposal of overtime claims.

"The Post-Office Department's share of the cost of this work from the date of its inauguration, January 9, 1894, to the close of the fiscal year June 30, 1895, does not exceed \$10,000."

This work has been continued from year to year until it is now practically finished, the result being that claims aggregating something like \$9,000,000 have been settled for about \$3,500,000 within a period of about five years, for which judgments have been rendered in the Court of Claims, causing a saving to the Government, as compared with the old method of settling claims, of about \$5,500,000.

The expenses of the commissioners and their clerks were paid from the appropriation for incidental expenses, free delivery service, and were paid as a per diem "in lieu of all expenses."

In detailed estimates rendered from year to year to the Committee on Post-Offices and Post-Roads this item of expense was included, although, like a number of other items legitimately charged to incidental expenses, it was never mentioned in the appropriations.

This expenditure was understood by the Auditor for the Post-Office Department, both in this and the last Administration, and no question was ever raised as to the propriety of the Post-Office Department paying these expenses until May, 1899, when the Comptroller of the Treasury ruled that they were technically irregular, and that the practice of paying the expenses of employees of another Department should be discontinued. This was done May 31, 1899.

*Letter of John A. Merritt, postmaster, Washington, D. C., to the Postmaster-General.*

WASHINGTON CITY POST-OFFICE,  
OFFICE OF THE POSTMASTER,  
*Washington, D. C., June 29, 1903.*

Hon. HENRY C. PAYNE.

*Postmaster-General, Washington, D. C.*

SIR: Referring to our conference relative to the recent letter of the Civil Service Commission on the affairs of the Washington City post-office, I submit the following list of positions excepted from examination to which this office, with an annual revenue of more than \$800,000, is entitled under Section V of Schedule A of the current civil-service rules:

3. One private secretary or confidential clerk to the postmaster, if authorized by the Postmaster-General, at each post-office where the receipts of the last preceding fiscal year amounted to as much as \$350,000.

5. One assistant postmaster, or the chief assistant to the postmaster of whatever designation, at each post-office.

7. One finance clerk, if authorized by law and regularly and actually assigned to act as auditor, at each post-office where the receipts for the last preceding fiscal year amounted to as much as \$350,000.

8. One cashier or one finance clerk at each first-class post-office.

9. One cashier and one finance clerk at each post-office where the receipts for the last preceding fiscal year amounted to as much as \$500,000.

So far I have not availed myself of the privilege given me by any of those rules, except in the appointment of a cashier (and who, on his own motion, was separated from the service nearly a year since), under paragraph 9. There is, it is true, a finance clerk here (Mr. O. H. Smith), holding his place under paragraph 7, but his appointment was made by my predecessor. As to my assistant postmaster, he is within the classified service, and has been for many years.

With this preliminary statement, which I give merely to show that I have not been disposed to put men into excepted places, even when I had the right to do so, I venture to present a few observations upon what the Civil Service Commission regards as irregularities in the administration of this office.

The first of these irregularities is involved in my alleged cooperation in a practice of the Post-Office Department, under which appointments were made without examination to small post-offices about to be classified, and the persons so appointed transferred after classification to this and other large offices. With the origin or the continuance of this practice I had nothing whatever to do. It had existed for two years prior to my becoming postmaster, and I had no reason whatever to believe that it was unlawful, nor do I now so consider it. Even if it had been, I can not understand why I should be held in anywise accountable for it, the transfer of a clerk from one post-office to



another being authorized by the Commission upon the request of the Department, and it in turn giving the necessary order to the postmaster.

Upon examining the civil-service rules in force when this practice began, I am unable to find anything forbidding it. On the contrary, section 4 of Rule III expressly states that from the date when the Civil Service Commission shall be notified that a post-office has been put into the free-delivery class, the officers and employees thereof "shall be included in the classified service" without examination; and so far as relates to the consolidation of small unclassified offices with larger classified ones, which involved the same practice, the rule prescribes that in every such case all the employees of the unclassified office "*whose names appear on the roster of the Post-Office Department*" shall be at once included in the classified service. This rule is so broad that it would seem to have been intended to provide for just the state of things that the Commission criticises, for it allowed the taking in of persons who may have been appointed only the day before the notice of classification was sent to the Civil Service Commission, as well as of persons who may never have rendered any service at the office classified.

It is important, too, to remember that the Commission twice brought this matter to the attention of the President—once on June 20, 1898, and again on June 11, 1900—recommending and submitting the draft of a new rule intended to cure or greatly restrict the practice, and that on each occasion the recommendation was not adopted.

Furthermore it is clear that the Civil Service Commission itself sanctioned the practice. I do not mean to say by this that it regarded the matter as unobjectionable, or that it was indifferent to the evil likely to result. It no doubt had a lively sense of the probable outcome. But it is undisputed that every one of the appointments or transfers made under this practice amounting throughout the whole country to 138, and covering a period of five years, was admitted and officially certified. The president of the Commission, it is true, affirms that these certifications were made under protest, but this does not lessen the effect of its action. Either the appointments were legal or they were not; if legal, and according to the rules, the Commission simply did its duty in approving them; if illegal, then the Commission erred in certifying them, and there being no compulsion upon it to do other than the right thing, its error is not in the least qualified by its protest. In either case, however, I do not see wherein I can properly be censured.

In view of these facts—the open-door rule, the failure of the President to act, and the acquiescence of the Commission, to say nothing of the eager quest of public employment by persons all over the land, and the constant pressure in their behalf by Senators, members of Congress, and other influential personages—it is surprising that the practice went no further than it did. It seems to me unjust that I should be made to share any of the responsibility; and the Commission, I hold, takes an incorrect view of my position when it says that my accountability was even "secondary, and dependent upon the extent to which a subordinate is justified in protesting against the orders or suggestions of his official superiors." My duty was to obey the orders of the Department, especially as I had no suspicion of error; and it strikes me as a little remarkable that any postmaster should be expected to antagonize the Department by forcing himself to the front and

obtruding his opinions upon his superiors. It is furthermore unreasonable to suppose that I could have accomplished anything when the Commission itself, whose authority was much greater than mine, failed to effect a change.

From the foregoing statements I do not wish it to be understood that I approve of appointments made in this way. In my judgment, the rule permitting them should have been modified when the Commission first recommended it; and I am glad that President Roosevelt has seen fit to change it. I would make even a greater restriction than the new rule imposes; I would allow no transfer at all unless the person asking for it had entered the service under competitive examination, or is subjected before transfer to a noncompetitive examination in which he shall be required to reach a higher percentage than that of the highest person on the eligible list of the office to which he seeks an entrance. I wish to say also, that I am cordially in favor of civil-service reform, and have always been desirous of having its rules faithfully observed.

The second irregularity of any importance to which the Commission calls attention is comprehended in the employment and assignment of laborers, and the statement is made that of the present force of laborers in the Washington City post-office 42 are performing service properly pertaining to their designations, that 10 are doing duty as watchmen, and that 7 others are doing classified work.

As to the 10 men who are performing the duties of watchmen, I beg leave to say that they were all appointed simply as laborers, and without reference to their present detail; that they have not been employed solely on watch duty; that they are subject to be called off, whenever necessary, to strictly laborer's work; that, in fact, at times they are so assigned, and that when absent from duty other laborers supply their places. It seems to me that this is a better arrangement than to have the duty performed by classified employees, for if those places are to be filled from the classified list then clerks must be thus employed, for the civil-service rules provide but two classes, namely, clerks and laborers. I may not inappropriately add that this custom, like the other hereinabove referred to, came to me by inheritance, and was fully known and approved by the Post-Office Department. The Commission itself says that the "investigation shows clearly that most of the irregularities herein set forth were directed by the Department, or requested or suggested by high departmental officials, and in either case came to the postmaster with all the force of a direction." If the practice be really irregular, however, it remains with you to give proper directions in the matter, and with me to cheerfully conform thereto.

As to the 7 men who are said to be engaged mainly upon classified work, I respectfully insist that the Commission's condemnation should have been somewhat moderated. Two of these men are performing duties that are a mixture of laborer's and messenger's work, while one of them has taken the civil-service examination and is now on the clerk's eligible list of this office. One of the 7 was running a canceling machine (which I understand the Commission now holds to be unclassified work) and was, besides, a substitute clerk, who has since been regularly appointed a clerk and is now serving in that capacity under lawful certification. The duties of 1 of the 7, who was employed in putting up railway clerks' supplies, have been changed to purely laborer's work. One assists in unboxing and distributing supplies,

etc.; another, in addition to his general work, has charge of the clocks, etc.; while still another, though performing laborer's duty, is held to be doing classified work merely because he has more or less oversight of the work of his associates. If you think that this state of things is irregular, I shall take pleasure in bringing about such change as you may direct.

Concerning both classes of the cases above referred to, the Commission is but just when it says, "It appears that Postmaster Merritt did not initiate any of these improper appointments or assignments." Eliminating them as irregularities, which, as I have herein endeavored to show, should be done, it places this office fairly under the high commendation which the Commission in the opening of its letter has bestowed, and for which I hereby express my appreciation:

The report shows that appointments to competitive classified positions in the Washington post-office during the administration of Postmaster Merritt have been made in close conformity to the spirit and letter of the civil-service rules.

There is but one thing more in the letter of the Commission to which I need call your attention and that is its discussion and condemnation of the employment of the 30 war emergency employees who, it seems, were classified by act of Congress of April 28, 1902; of the 12 temporary clerks who were made permanent under one of the civil-service rules, and of the classification, by order of the President, of 338 employees of the rural free-delivery service on the 27th of November, 1901. All these things were authorized by law, by standing rule, and by Presidential order. Accordingly they are not for me to criticise. Besides, the subject in nowise pertains to this office. None of these people are employed in the Washington City post-office, and their appointment had not even a remote connection with it. The Department controlled the whole matter and is therefore alone concerned.

Very respectfully,

JOHN A. MERRITT, *Postmaster.*

*Copy of letter from Hon. Charles Emory Smith to Postmaster-General Payne relative to letter of Hon. John R. Procter, president Civil Service Commission.*

PHILADELPHIA, July 14, 1903.

HON. HENRY C. PAYNE,  
Postmaster-General.

SIR: You have sent me a copy of the letter of Mr. John R. Procter, president of the Civil Service Commission, relating to the Post-Office Department and the Washington post-office, for such reply as I may deem fit. The only importance I attach to any answer is that such a gross misrepresentation of the facts should not be allowed to become a part of the permanent records without being accompanied by a statement of the truth.

The one-third of Mr. Procter's letter which was in response to your inquiry, and which immediately touches the Washington post-office, may properly be left to the answer of the postmaster whom it directly concerns. The two-thirds which are entirely outside of the scope of your inquiry, and which concern my administration as Postmaster-General, involve two points:

First, the so-called indirect classification of persons at post-offices on the establishment of free delivery, in alleged evasion of the law, followed by their transfer to other portions of the Government service.

Second, the alleged "packing" of the rural free-delivery division of the Department in anticipation of its classification.

So far as I can see, these are the only points in Mr. Procter's letter which relate to my administration. Let me meet them directly and unreservedly.

The law provides that when any post-office shall become a free-delivery office—that is, when its receipts reach \$10,000 a year—it shall be classified and its clerks shall by that fact be admitted to the classified service without being compelled to pass a competitive examination. Under this provision, in 1897, before I became Postmaster-General, some persons were appointed to offices about to be classified, and, after their classification, transferred to other parts of the service. The practice thus introduced continued in a limited degree.

It is the statute, not the Department, that puts the clerks of new free-delivery offices into the classified service. Their classification is a matter of law. Their transfer is a matter of rule. No rule then prohibited transfer at any time, and no transfer was made without the sanction of the Civil Service Commission, though it objected to the practice. No rule even at this day forbids transfer at any time in the exactly parallel case where small unclassified offices are classified by being consolidated with larger classified offices.

Mr. Procter states that the Commission twice presented the matter to President McKinley's attention—first on June 20, 1898, and again on

June 11, 1900—recommending him to modify the rule so as to prohibit transfer until after six months' service. This is true. President McKinley took no action except to approve the policy laid down in the letter of the Postmaster-General, which is here inserted:

POST-OFFICE DEPARTMENT,  
Washington, December 27, 1900.

The CIVIL SERVICE COMMISSION,  
Washington, D. C.

GENTLEMEN: I am in receipt of your letter of the 20th instant, stating that "the Commission feels obliged to repeat its protest with reference to the indirect classification of persons at post-offices upon the establishment of free delivery, followed by their transfer to other portions of the Government service."

In reply I beg to state that some time before this letter was written your Commission was fully informed that directions had been given which, it is believed, remove all just ground of complaint of this character. Whatever may have been the case in the past, any features of the practice referred to which were open to just criticism have been corrected. In the ordinary course of administration some persons had been appointed in offices at which free delivery was afterwards established, and thus had come into the classified service, this action having been taken without being brought to the attention and without the knowledge of the head of the Department.

In a letter of your Commission to the President, bearing date June 1, 1900, you state, "We are gratified to record in this connection that the advantage which the Post-Office Department actually has taken of this condition is minor in extent in comparison to what this provision of the rules seems to permit." This statement is justified in view of the fact that the total number of such appointments from the beginning is 118, while a large number of offices have been classified without any advantage being taken of the right.

Although the number of cases has been limited, as thus indicated, the exercise of the authority without full review and except for conclusive reasons in the interest of the service is rightly open to objection, and accordingly instructions were given which prohibited the practice and permitted appointments of this character only in emergency and after being submitted to the chief of the Department. Of this instruction your Commission was fully advised.

I concur with your Commission in the judgment that, wherever it is practicable, admissions to the service should be made only upon examination and after application of the approved tests of merit, and for this reason I greatly regret that from July 1, 1899, to December 19, 1900, for want of a sufficient register of eligibles provided by the Civil Service Commission, it has been absolutely necessary for this Department, in meeting the requirements of a growing service, to make 896 appointments of post-office clerks and subcarriers of a temporary character, with all the embarrassment of afterwards superseding trained persons with untrained persons.

Respectfully,

CHARLES EMORY SMITH,  
Postmaster-General.

This is my reply to Mr. Procter, made not now, but on December 27, 1900. So far as I know, that reply was never answered, and for obvious reasons. It stated that the practice, so far as it involved any abuse, had been and would be stopped. I have but to turn to Mr. Procter's recent letter for the proof. He says:

The number of persons thus entering classified positions by appointments in smaller offices and subsequent transfers increased from 2 in 1897 to 22 in 1898, 26 in 1899, and reaching the maximum number of 61 in 1900, and decreasing to 15 in 1901, 8 in 1902, and 2 in 1903.

My letter, setting forth the fact of rectification, was written December 27, 1900, and Mr. Procter says the transfers decreased to 15 the next year. I need not comment on the peculiar candor which made no acknowledgment of the removal of all just ground of complaint then and seeks to suppress the truth about it now. Nor need I inquire whether this is due to the fact that, after being so greatly exercised about the mote in the Department's eye, namely, 118 transfers in three years, among over 200,000 employees, the critic was painfully reminded

of the beam in his own eye, namely, 896 forced appointments outside civil-service rules, in a year and a half, because of the Commission's failure to meet the requirements.

The only other point of Mr. Procter's letter which calls for any attention from me is his statement respecting the rural free-delivery division, as follows:

Nearly all of the clerks and messengers in the rural free-delivery service who were covered into the classified service were in positions in Washington, D. C. One hundred and thirty-three of them were appointed prior to July 1, 1901, 26 were appointed in the four months immediately preceding the classification, and 56 were appointed in the twenty-six days preceding classification. How many of these were appointed for reasons other than the needs of the service it is, of course, impossible for the Commission to determine, but that the service was packed with employees in the interests of the individual is indicated by the fact that the number of appointments in the month of the classification was more than twice as great as for the preceding four months.

With a few words of plain statement I shall leave judgment to be pronounced on this gratuitous imputation. The rural delivery appropriation for the fiscal year ending June 30, 1901, was \$1,750,000; for the fiscal year ending June 30, 1902, it was just double, \$3,500,000. The number of routes in operation July 1, 1900, was 1,276, and July 1, 1901, it was 4,301. In the next five months before the classification the number increased to 6,009. Was double the appropriation to be applied, double the service to be provided, and double the work to be done without any increase of force?

The truth is that when Congress, by making the large appropriation of \$3,500,000 for the fiscal year 1901-2, settled that the service was no longer experimental, the Department set about organizing it on a permanent basis. It carefully calculated how the appropriation should be apportioned, how many agents should be employed in the field, how many clerks were needed at headquarters to keep up with the work, etc. With the greatly increased appropriation and service the force was inadequate to the requirements; the clerks were working over hours, and it was under these circumstances that the additional appointments were made.

How much ground there was for Mr. Procter's unworthy inuendo may be judged from the fact that of the 56 appointments to which he refers 41 were women clerks, 4 were transfers, 6 were designations for division headquarters in the field, and 5, all told, were original appointments of men for the Department. A vast deal of politics, surely, in the appointment of 41 women. Another fact deserves remark: Nearly two years have elapsed since the appointments. You have been Postmaster-General a year and a half and you have not dropped one of them. If the service was "packed," how faithless you have been to your duty. This heedless critic didn't see that his blow was aimed at you as well as me.

It may have been a sad case of mistaken judgment, but Congress by law devolved the organization of the rural delivery service and the appointment of all its force on the Postmaster-General, and not on Mr. Procter. For several successive years it made constantly increasing appropriations, to be expended absolutely at the Postmaster-General's discretion, without condition or restriction. So far as I now recall, there is not a parallel case running through a period of years in the history of the country. This great confidence imposed high obligations on the Postmaster-General. He made his regular reports to the President and to Congress, and they approved his action.

When, as already indicated, it became clear that the service was to be enduring he addressed himself to the task of preparing it for a permanent footing. This involved bringing it within the classified service and of extending the civil-service rules to it, so far as they were applicable. But inasmuch as the first requirement of the rural carrier was to have a horse and wagon (horse and wagon not being amenable to competitive academic examination) and inasmuch as other special conditions existed, the regular rules could not be literally applied just as they were; they had to be modified to adapt them to these conditions.

Under the direction of the President the Department was engaged for some weeks with the Civil Service Commission in framing a system and body of rules, and, in view of Mr. Procter's remarks, it is only fair to say that in this work he proved so unreasonable, so dogmatic, and so impracticable that he had to be overruled both by his own associates and by the Administration, and had to be substantially eliminated from all part in the construction of the framework. The burden of the work on the part of the Civil Service Commission fell on Mr. William D. Foulke, who is as strong and rational in his practical sense as he is sincere, earnest, and intelligent in his devotion to civil-service reform.

The principle governing the organization of the rural delivery and the attitude and spirit of the Department were stated in my annual report for 1901, as follows:

With its (rural delivery's) acceptance as a fixed and enduring service the wisdom of placing it on a permanent basis and of bringing it into full harmony with the general principles of the postal establishment enforces itself. In authorizing rural delivery as an experiment Congress adopted no directing mandate and simply made the requisite appropriation. It did not undertake to prescribe the rules or methods of organization. It gave the Department full discretion to determine the means and select the agents for its trial.

As the service was experimental in its nature, as its development depended upon the results of actual experience, as its progress might require changes in form and method, Congress deemed it wise to leave the plan flexible and capable of modification as observation dictated. It did not desire to restrict the freedom of the Department to avail itself of the best suggestions and the ripest fruits of the practical test. The controlling object was to determine the feasibility and utility of rural delivery, and the yearly enlargement of the appropriation in the same unlimited terms indicated the purpose of Congress to allow full latitude for the amplest trial and the development of the best agencies and methods of application.

With this discretionary authority the existing system has been created. At the beginning of the fiscal year 1899 there were less than 200 routes in operation; there are now 6,000. The organization necessary for this large establishment has been made, the agents to locate and the inspectors to examine the operation of these routes have been appointed, the carriers who daily traverse the routes and collect and deliver the mail have been named, and these more than 6,000 selections have been made without friction, and, it is believed, with little complaint. The merit principle of appointment has substantially been applied, and no removals have been made except for cause.

Both the clerical administrative force and the force in the field have been chosen with care, upon grounds of fitness and qualification, and none have been named who were not believed to come up to a high standard of integrity and capacity. Out of this method has grown a body of faithful and earnest employees, who, it is confidently felt, will compare favorably in intelligence and efficiency with any part of the civil service.

With this presentation I leave the matter, except for the single observation that Mr. Procter's innuendoes justify a personal statement, which, however, will be more becoming in a less formal paper.

Respectfully, yours,

CHARLES EMORY SMITH.

*Letter of Hon. John R. Procter, July 24, 1903, to the Postmaster-General.*

UNITED STATES CIVIL SERVICE COMMISSION,  
Washington, D. C., July 24, 1903.

The Honorable the POSTMASTER-GENERAL.

SIR: My attention has been called to the letter, dated July 14, of Hon. Charles Emory Smith, as it appeared in the public press of July 20, commenting on the recent letter of the Commission in regard to the administration of the public service in the Washington post-office. If this letter were based upon the facts disclosed by the records, or could be read in connection with the Commission's letter and the report of the investigation upon which it was based, there would be no necessity for remark or reply. Under the circumstances, there are certain parts of Mr. Smith's letter which seem to demand attention.

The relevancy of a portion of the Commission's letter has been denied by Mr. Smith, although the essential facts it contained have not been controverted. Concerning the question of relevancy, it may be stated that the present Postmaster-General requested the Commission to investigate and report whether the civil-service law and rules had been and were being complied with in the Washington post-office; and that, as the investigation disclosed the fact that the post-office occupied, to a considerable extent, the relation of a bureau to the Department in the matter of appointments and other changes, some of the departmental affairs necessarily come within its scope. This was especially true with regard to persons appointed to outside offices for the purpose of classification and afterwards transferred to the Washington post-office and later to the Department, as well as in the cases of persons appointed as laborers but irregularly assigned to classified duty in the Washington post-office who were afterwards appointed in the rural free-delivery service just before its classification.

Mr. Smith states that the one-third of Mr. Procter's letter which immediately concerns the Washington post-office may properly be left to the answer of the postmaster whom it directly concerns.

The facts, as disclosed by the investigation, show that the Department, and not the postmaster, was responsible for most of the violations and evasions of the civil-service law and rules in the Washington post-office. It is therefore an evasion and not a refutation of the facts recited in this part of the letter to say that it may properly be left to the answer of the postmaster. The answer of the postmaster is already recorded in the report of the investigation in statements signed by him. When questioned as to the responsibility for the infractions of the civil-service rules in the Washington post-office, he said:

As most of the appointments of the people who have in any degree violated the civil-service regulations have been designated or made by the Department, it seems to me that the responsibility for violation of the regulations should be located with the parties directing the appointments.



Again, he said:

People that had proved inefficient in the Department \* \* \* had been unloaded upon the post-office on several occasions, as is instanced by the case of \* \* \*.

The postmaster also stated that, in his opinion, his office could have been run with the same degree of efficiency, but with much greater economy, if the Department had left the personnel of the force to his own selection.

In commenting upon that part of the Commission's letter which deals with the classification-transfer method adopted by the Department to evade the rules he avoids, by a safe margin, the facts disclosed by the investigation. He says:

It is the statute, not the Department, that puts the clerks of new free-delivery offices into the classified service. Their classification is a matter of law. Their transfer is a matter of rule.

This statement begs the question. It is a civil-service rule promulgated by the President which provides for the classification of clerks at free-delivery offices, and the Commission construes this rule as recognizing only bona fide employees as acquiring a classifiable status. It was the Department, and not the statute or the rules, that placed the names of 18 residents of Washington or its vicinity on the rolls of post-offices in various parts of the United States, without reference to the needs of those offices, and in most cases without their ever serving in those offices, for the sole purpose of getting them into classified positions in the Washington post-office or the Department. The Department, in making these appointments, without doubt reverted to the practice which the civil-service act was designed to prevent, and to this extent nullified the law.

Mr. Smith says, in reference to the same subject:

In 1897, before I became Postmaster-General, some persons were appointed to offices about to be classified, and after classification transferred to other parts of the service. The practice thus introduced continued in a limited degree.

As a matter of record there were only four such appointments made during the latter part of 1897 and the early part of 1898, prior to the appointment of Mr. Smith, and 124 under his administration.

Mr. Smith says:

No rule, even at this time, forbids transfer at any time in the exactly parallel cases where small unclassified offices are classified by being consolidated with larger classified offices.

This assertion ignores the fact that section 8 of civil-service Rule II forbids the classification of an employee in an office which is to be consolidated with a classified office, unless he has actually served therein during the sixty days next preceding the consolidation, or was appointed through competitive examination.

He also quotes his letter of December 27, 1900, to the Commission, in which he agreed that admissions to the service should, as far as practicable, be made only upon examination, and stated that directions had been given which would remove all just ground of complaint. Mr. Smith now states his belief that the Commission never answered this letter, and declares that he will not comment "on the peculiar candor which made no acknowledgement of the removal of all just ground of complaint then, and seeks to suppress the truth about it now."

A sufficient reply to this statement will be found on page 300 of the

Seventeenth Annual Report of the Commission, published in the early part of 1901, in which this statement follows the full quotation of Mr. Smith's letter:

It is gratifying to the Commission to be able to state that since the date of the above letter but one case of this kind has occurred.

The letter of December 27, 1900, was a declaration of intention on the part of the Department to observe the intent of the law, after six written appeals from the Commission, ranging from May 16, 1898, to May 24, 1900, two references of the matter to the President, and the appointment and transfer of 124 employees by the objectionable method.

Mr. Smith resents the statement that the rural free-delivery service was packed with employees in the interests of the individuals just before classification, as indicated by the fact that 56 were appointed in the twenty-six days just preceding classification on November 27, 1901, while only 17 were appointed between that date and May, 1903. He attributes the large number of appointments just before classification to the great increase in work, as indicated by the fact that the appropriation for the rural free-delivery service for the year ending June 30, 1902, was double the amount for the preceding year.

He does not explain why, although the appropriation was again more than doubled for the year ended June 30, 1903, it was necessary to appoint but 17 persons in Washington from November 27, 1901, to May, 1903. It seems a fair inference that the appointments prior to classification so far exceeded the needs of the service that few appointments were necessary, even when the appropriation was more than doubled for the year ended June 30, 1903.

He adds:

You have been Postmaster-General a year and a half and you have not dropped one of them! If the service was "packed," how faithless you have been to your duty! This heedless critic did not see that this blow was aimed at you as well as me.

Mr. Smith apparently fails to recognize the fact that the rapid growth of the rural free-delivery service under your administration would speedily relieve this condition without recourse to removals.

He cites the fact that 41 of a certain group of 56 employees mentioned in the Commission's letter were women as indicating that the influences leading to these appointments were not political. The Commission has not claimed that the influences which prompted the numerous appointments under consideration were all political; nor will anything be found in the letter or report which necessitates an analysis on the basis of sex.

It is a fact, however, that nearly all of the persons, men as well as women, appointed or employed in evasion or contravention of the civil-service law and rules, who were examined during the investigation, were appointed through the influence of Senators and Representatives or high officials of the Post-Office Department. Their names and the names of the persons who urged their appointments appear in the report of the investigation.

Mr. Smith states that the Department was engaged for some weeks with the Civil Service Commission in framing a system and body of rules for the appointment of rural letter carriers, and that in this work Mr. Procter proved so unreasonable, so dogmatic, and so impracticable that he had to be overruled by his own associates and eliminated from all part in the construction of the framework.

This statement will be amusing, as both Mr. Foulke and Mr. Garfield were aware of the fact that it was at my request that Commissioner Foulke took up the question of the examination of rural letter carriers with the Post-Office Department. There was never the slightest difference of opinion between the three Commissioners with respect to the advisability of making the examination for entrance to these positions as simple and practicable as possible.

Mr. Smith's letter closes with the statement that "Mr. Procter's innuendoes justify a personal statement, which will be more becoming in a less formal paper."

An editorial in the Philadelphia Press of July 20, 1903, presumably contains this personal statement. The article is given over almost entirely to abuse and vituperation. One or two exceptions will be noted in a supplementary statement I shall give to the public press with a copy of this letter. As the matters under consideration had their origin prior to your induction into office, this letter can not properly be regarded as referring in any way to your administration of the Department.

Very respectfully,

JOHN R. PROCTER,  
*President.*

*Report of Civil Service Commissioners Procter and Cooley to the President, June 24, 1903, respecting irregularities which occurred four years ago in the Washington post-office and, to an extent, in the Post-Office Department at Washington; together with detailed statement relating to certain irregularities and abuses which have been cured by the aid and cooperation of Postmaster-General Payne.*

JUNE 24, 1903.

The PRESIDENT.

SIR: In response to your request, this Commission makes report respecting irregularities which occurred four years ago in the Washington post-office and to an extent in the Post-Office Department at Washington, as follows:

1. Whether any of these irregularities have occurred during your Administration without a prompt stop being put to them.

Answer. No. See inclosed memorandum showing the prompt stoppage of these irregularities and the ways in which the competitive system has been bettered and extended in the postal service during your Administration.

2. Whether the present postmaster at Washington is, in our judgment, responsible for the wrongdoing which occurred four years ago.

Answer. The Commission does not regard him as responsible therefor, inasmuch as he was carrying out the orders of his superior officers.

3. Whether there are now in the Post-Office Department or the post-office at Washington any persons illegally employed or who should be removed from office.

Answer. No, with the exception of the person occupying the excepted position of finance clerk, who is performing alien duties.

The evil of assigning laborers to classified work is the growth of years. The registration regulations adopted and the determination to fill all vacancies in positions of laborers doing classified work by certification from the registers of eligibles will prevent this evil in the future.

The relations of the Commission with the Post-Office Department and with the postal service throughout the country are more satisfactory from a civil-service standpoint than ever before, as shown by the detailed statement filed with this, relating to certain irregularities and abuses which have been cured by the aid and cooperation of Postmaster-General Payne.

We have the honor to be, Your obedient servants,

JOHN R. PROCTER,  
ALFORD W. COOLEY,  
*Commissioners.*

Since Postmaster-General Payne has been in charge of the Post-Office Department the following betterments have been made:

In October last the Department joined the Commission in establishing a regulation requiring persons brought into the classified service by the establishment of free delivery at a post-office to pass an examination before transfer to other post-offices.

The Department has assisted the Commission in perfecting the service records of post-offices and adopted a system of reporting to the Commission directly from the Department all changes occurring in the status of employees in the Post-Office Service.

The appointment of laborers for assignment to classified work has ceased.

The Washington postmaster states that General Payne has never directed, or even suggested, the appointment of laborers in the Washington post-office, as had formerly been done.

Shortly after General Payne became Postmaster-General he initiated the policy of continuing fourth-class postmasters beyond the term of four years, and not removing them except for some reason other than political, thus making their terms of office in fact, as they are in law, independent of changes of administration. This is one of the most important advances which the merit system has made in recent years.

The Post-Office Department has made a much larger number of appointments through open competitive examination under the civil service rules in the same space of time than ever before, and the proportion of reinstatements and transfers has decreased. From August, 1900, to December, 1901, immediately preceding General Payne's appointment, 7,362 appointments were made through competition in local post-offices. During the like period of seventeen months immediately following, 9,854 such appointments were made, an increase of almost 2,500. So also in the Post-Office Department during the same period preceding General Payne's appointment, 50 appointments were made through competition, while in the like period following 119 were made.

The number of temporary appointments at post-offices without examination has been reduced. In the seventeen months preceding his appointment 1,131 such appointments were made, as against 929 in the seventeen months following. Prior to May, 1902, the Department made temporary appointments outside the examinations in post-offices in all cases in which there were not as many as three eligibles on the register. It was not until General Payne became Postmaster-General that the Commission could get the Department to consent to a change in this practice, though repeated conferences were had with the Department with that end in view. General Payne agreed with the Commission that the rule should be changed, and since May 31, 1902, temporary appointments are made from the register. The Commission found that it was difficult to secure eligibles at certain offices, notwithstanding due announcement had been made, and suggested to the Department the advisability of utilizing as far as possible eligibles on the departmental and railway-mail registers. In this the Department acquiesced. The result of this action on the part of the Department has been to materially lessen the number of temporary appointments.

Notwithstanding public announcement of examinations, it was difficult at some second-class post-offices to secure enough eligibles to meet the needs of the service. It was thought that this was occasioned, in some measure, by failure on the part of the postmasters to give encouragement to applicants. Upon inviting the Department's attention to this matter, a circular was issued to postmasters directing that all proper means be taken to encourage persons to enter the examinations, and that they should in no way dissuade applicants or use means

to induce them to decline appointment after certification. This will insure a more general cooperation by postmasters in carrying out the rules and of lessening the number of temporary appointments.

The Department has also agreed that for the 900 smaller post-offices certificates for appointment shall be issued directly by the Commission, instead of by local secretaries of examining boards, to enable the Commission to deal more directly with the Department and expedite the public business.

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WHITE HOUSE,  
*Washington, November 23, 1903.*

The recommendations made in this report have been complied with. The Secretary of the Treasury appointed the commission recommended in recommendation number two. Mr. Bristow's report covers the investigation into the office of the First Assistant Postmaster-General. Investigations into the Washington and New York post-offices are already in progress.

THEODORE ROOSEVELT.

*Report on the Tulloch charges by Messrs. Holmes-Conrad and Charles J. Bonaparte, special assistants to Attorney-General.*

**THE ATTORNEY-GENERAL.**

SIR: On June 24 last past the undersigned were appointed special assistants to the Attorney-General in certain designated prosecutions, the scope of our employment to be "subject to any changes which may be made by this Department." By letters bearing date July 17 and 21 we were instructed "to take up at once the Tulloch charges" and report thereon "from a legal standpoint" to you "at as early a date as possible." In the discharge of this duty we have the honor to submit the following report:

**I. HISTORY AND NATURE OF THE TULLOCH CHARGES.**

Shortly before April 26, 1899, a revision of the accounts of James P. Willett, postmaster of Washington, D. C., covering the period from July 1 to September 30, 1898, which account had been previously passed upon and settled by the Auditor for the Post-Office Department, was made by the Comptroller of the Treasury through one Thomas W. Gilmer, then an expert accountant in the Comptroller's office. This revision questioned the propriety of many items which had been allowed by the Auditor for the Post-Office Department, and was sent at the last-mentioned date by the Comptroller to Postmaster Willett, with a request that he furnish such explanation as he might desire to have considered. Such written explanations were furnished, and further oral explanations were made to the Comptroller by Perry S. Heath, then First Assistant Postmaster-General, and others, with the result that on August 31, 1899, the Comptroller notified Mr. Willett, who had ceased to be postmaster, that certain items, which he specified in his letter, aggregating \$932.86, had been disallowed. Subsequently, on September 9, 1899, the Comptroller notified the late postmaster that upon a further revision he had allowed \$40 of the amount previously disallowed.

On June 30, 1899, John A. Merritt, the successor of James P. Willett, entered upon his duties as postmaster of Washington, D. C., and on the same day, indeed, within a few minutes after the new postmaster took charge of the office, Seymour W. Tulloch, who for more than twenty years had been the cashier of the post-office, was removed from office.

On July 3, 1899, Mr. Tulloch called on Postmaster-General Charles Emory Smith, and presented to him a letter from Senator W. E. Chandler, and then made to him an oral statement as to certain irregularities alleged to have previously existed or to then exist in the Post-Office Department and Washington City post-office. No contemporaneous written memorandum of this statement appears to have been made.

On July 6, 1899, Inspector-in-Charge William B. Smith filed a "confidential report" to Chief Inspector W. E. Cochran, "which," as he says, "sets forth certain irregularities, discovered by me, which, in my judgment, indicate a condition of affairs demanding an immediate, thorough, and exhaustive investigation." This report was submitted by Fourth Assistant Postmaster-General Bristow personally to the Postmaster-General, and he also caused to be prepared in his office an abstract of Inspector Smith's report for the latter's use. Marginal notes in pencil are found on the original of this document, which are in the handwriting of George W. Beavers, then chief of the salaries and allowance division.

There is on file "A memorandum to Postmaster-General Smith in explanation of irregularities set forth in brief of confidential report of Inspector in Charge Smith," made a few days after the report was filed July 6, 1899, at the request of Postmaster-General Smith. This "memorandum" contains evident references to the pencil notes on the "abstract" in the handwriting of George W. Beavers, and it is supposed at the Department that Postmaster-General Smith referred the "abstract" to Messrs. Heath and Beavers, and received from them this "memorandum" in explanation. The papers on file render this probable; but, in any event, no action whatever beyond this reference appears to have been taken by the Post-Office Department on the report made by Inspector in Charge Smith or the statement of Mr. Tulloch.

On July 31, 1900, Inspector Little made a "special report" to Inspector in Charge Smith on the condition of the Washington post-office, in which he recommended "that the roster of this office should be carefully readjusted, the superfluous force eliminated, and compensation in many instances equalized;" adding: "This can be done without impairing the efficiency of the service and result in a saving of many thousands of dollars." This report was approved by the inspector in charge, and likewise placed by Fourth Assistant Postmaster-General Bristow personally in the hands of the Postmaster-General. It had been prepared by the order of Mr. Bristow for reasons to be hereafter considered. It was, nearly six months later, referred to the postmaster with instructions to give effect to some of its recommendations and, still later, this appears to have been done. About two months before it was made, however—that is to say, on May 26, 1900—there had been published in the Washington Post an article which Mr. Tulloch says was based upon "information obtained independently," but seems to have related to some of the same matters to which he had called attention, and appears to have been regarded in the Department as inspired by him. He says of this publication:

Detailed charges at length were made, the names of competent witnesses were given, and Postmaster-General Charles Emory Smith was challenged to make an investigation. These charges were treated as frivolous and civilly dismissed by the officials involved. They remain, however, unanswered to this day, and may yet furnish matter for a truly zealous investigation.

Whether these statements are strictly accurate it is hardly within our province to consider, but certainly no investigation, "truly zealous" or otherwise, is shown by the documents submitted to us to have been made into the subject-matter of the above-mentioned publication.

On September 18, 1899, Mr. Thomas W. Gilmer, the expert accountant heretofore mentioned, was instructed by the Comptroller *not* to take up for revision any more accounts of the Washington or any of



the New York post-office, and soon afterwards he was detailed for four months to another division of the Treasury Department; subsequently his new assignment was made permanent; it involved a reduction in salary of \$200 *per annum*.

On May 1 last past there was published in the Washington Post an interview with Mr. Tulloch, in which the latter referred to very grave irregularities and abuses as existing in the Department, and even more notably in the Washington post-office *prior* to his own removal, *three years and ten months* previously, and intimated a belief that they had continued subsequently, but gave no facts, and, indeed, professed no knowledge as to later transactions.

On the same day, i. e., May 1, 1903, the present Postmaster-General wrote letters to Postmaster Merritt and to Comptroller Tracewell, referring to the published interview with Mr. Tulloch, and adding in each letter:

This is a direct reflection upon the integrity of your office as well as upon the administration of the Post-Office Department. As I intend to look into the case somewhat, I shall be glad to have you advise me what, if any, truth or lack of truth there is in the statement referred to. I inclose herewith a copy of the article referred to.

To these letters Mr. Tracewell replied on May 2 and Mr. Merritt on May 5. On May 1 Postmaster-General Payne also wrote to Fourth Assistant Postmaster-General Bristow substantially to the same effect. To this letter Mr. Bristow replied on May 4, referring the Postmaster-General to the above-mentioned reports of Inspectors Smith and Little and indorsing their accuracy.

On May 5, 1903, Postmaster-General Payne wrote to Mr. Tulloch:

I shall be pleased to receive from you any statement which you are willing to make in writing, accompanied by any papers, documents, or evidence confirmatory of the charges which have appeared in the Washington Post.

On May 15 Mr. Tulloch replied to this letter, giving his "charges" in detail and referring to a number of documents.

On May 19 and 20 the Postmaster-General wrote to Mr. Charles Emory Smith, late Postmaster-General; to Comptroller Tracewell; to Postmaster Merritt; to Mr. John W. Griggs, late Attorney-General; to Mr. F. A. Vanderlip, late Assistant Secretary of the Treasury; to Mr. Perry S. Heath, late First Assistant Postmaster-General, and to Mr. Henry A. Castle, Auditor for the Post-Office Department, inclosing in each of these letters a copy of Mr. Tulloch's letter to him of May 15, and requesting from his several correspondents such statements or explanations as would throw light upon its subject-matter.

In his letter to Mr. Perry S. Heath Mr. Payne said:

I inclose herewith a copy of a letter written by Mr. S. W. Tulloch, in which he makes a statement reflecting upon the management of the Washington post-office and the Department previous to the year 1900, and especially charges you, as First Assistant Postmaster-General, with many acts of doubtful propriety. I will be glad if you will give me any information bearing upon this subject. The Comptroller, Auditor, and Postmaster Merritt can explain the matters which refer to them and their offices, but the points upon which we have little or no information are those of the putting upon the pay rolls of people who, it is stated, did little work, if any. As an example, Mrs. Fannie R. Winans called here yesterday and said that she was put to work in the Washington post-office, remained there for three or four months, then was laid off, with pay, and did nothing for eleven months, drawing her pay in the meantime. At the end of that time she obtained a situation in the Agricultural Department. It is said that there are two other such cases, although we have not the evidence yet of that fact. Mr. Tulloch lays particular stress upon the fact that many people were appointed who took mere junketing trips through the West India Islands. I would be very glad to receive anything from you that will throw light upon this whole subject.

On May 2, 1903, Postmaster-General Payne had written to Mr. John R. Procter, President of the Civil Service Commission, saying, in reference to the published interview of Mr. Tulloch:

Among other things, it is stated "that the civil service can always be gotten around when necessary, as seen in the appointment of cleaners, charwomen, laborers, financial clerks, auditors, mechanics, and other excepted persons, irrespective of the duties performed or whether any duties are performed."

To these various letters Mr. Procter replied on May 4, Mr. Smith on May 27, Mr. Tracewell on May 22, Mr. Merritt on May 26, Mr. Castle on May 22, Mr. Griggs on May 22, Mr. Vanderlip on May 18, Mr. Heath on May 25.

It should be here noted that in Postmaster-General Payne's letter of May 1 to Postmaster Merritt he asked for a statement of appointments, promotions, and transfers among the employees of the office *since* his own "incumbency of the office of Postmaster-General (January 10, 1902)," and the postmaster furnished the information desired in his reply. With this exception all of the correspondence submitted to us in the first instance related to matters *preceding* the assignment of Mr. Gilmer to new duties in September, 1899, and the only document referring to questionable incidents of a later date was the "special report" of Inspector Little; it does not appear precisely when certain of the matters therein specified occurred, but they must obviously have happened before July, 1900.

The correspondence originally placed in our hands ended with a letter to the Postmaster-General from Mr. Tulloch bearing date June 15, 1903, but this related only to certain strictures on his own conduct and motives contained in the second letter from Postmaster Merritt, and shed little additional light on the questions under consideration.

In the Philadelphia Press of Saturday, June 27, there appeared a letter from ex-Postmaster-General Smith to Postmaster-General Payne, making a further statement respecting the Tulloch charges, accompanied by three papers, marked, respectively, "Exhibits A," "B," and "C." "Exhibit A" is entitled "The Tulloch charges;" "Exhibit B," "The inspector's report," and "Exhibit C," "The explanations." "Exhibits A" and "B" are printed in parallel columns, and the opinion is emphatically expressed that both of these papers were written by the same person and that their author is S. W. Tulloch. Were this true it would be for our purposes a matter of very subordinate importance; but it is quite evident that Mr. Smith has been led to erroneous conclusions by mistaking the above-mentioned "abstract" of the "Confidential report" of Inspector-in-Charge Smith for the "Tulloch charges." "Exhibit A" is word for word the said "abstract" of Inspector Smith's report, which, as above stated, was prepared in the office of the Fourth Assistant Postmaster-General soon after the report was made.

It bears no resemblance whatever in form or substance to the "charges" made by Mr. Tulloch, either in the interview in the Post or in his letter to the Postmaster-General. "Exhibits A" and "B" are indeed very much alike in their forms of expression and method of arrangement, and this is very natural, for "Exhibit B" is simply a second "abstract" of the same "confidential report" made in Mr. Bristow's office to accompany his letter of May 4 last past to the Postmaster-General. The original "confidential report" is a much more voluminous document, including copies of abstracts of the Comptroller's letter of April 26, 1899, and many other papers.

Our attention has been called likewise to published letters from Mr. Charles Emory Smith and Mr. John R. Procter to the Postmaster-General, relating to the observance of the civil-service law and rules in the Post-Office Department and the Washington post office during the incumbency of the former as Postmaster-General. While these refer in part to matters beyond the scope of this report, we have used them to furnish details and illustration. Certain papers subsequently furnished us are hereinafter noted.

## II. SOME PRELIMINARY OBSERVATIONS.

From the foregoing summary of the mass of documentary information furnished us as constituting or at least containing "the Tulloch charges" (and which, notwithstanding its bulk, we have been obliged, as will hereafter appear, to supplement in some particulars) certain conclusions are at once apparent. At this point, therefore, we respectfully call your attention to the following obvious facts:

First. No improper official act on the part of any public officer or employee is alleged which did not occur *more than three years before* July 17, 1903; so that when we were instructed to report on these matters "from a legal standpoint," all possible prosecutions were already barred under the terms of section 1044, United States Revised Statutes. Indeed it is as nearly certain as may be under the circumstances that such was the case when Mr. Tulloch's interview of May 1, 1903, was published. We are led, therefore, to interpret our instructions in a broader sense than we might otherwise venture to ascribe to them, and understand that our views are desired as to the *legal propriety* of the official action disclosed and not merely whether it may or may not have been *criminal*.

Second. We are very imperfectly informed by these documents as to the management and condition of the Washington post-office during the period between the dates of Inspector Little's "special report" (July 31, 1900) and the qualification of the present Postmaster-General (January 10, 1902), and have only the said report to indicate rather than disclose what happened there after Mr. Tulloch's removal (June 30, 1899). We think it obvious that an investigation of the period of Mr. Merritt's incumbency is more likely to be fruitful of practically useful results, especially in view of the operation of the statute of limitations, than could be an investigation of incidents occurring while Mr. Willett was postmaster. On this opinion we base in part the *first* recommendation of this report.

Third. The "Tulloch charges" have never been, properly speaking, "investigated" at all. The Postmaster-General's correspondence with some of the parties implicated has indeed provided us with a certain number of expressly conceded facts, and with further admissions to be implied from silence as to certain allegations which it is reasonable to suppose would have been denied if they could have been, and contemporary documentary evidence has been brought to light which is decisive as to a number of questions; but we have been repeatedly confronted in our inquiry with an assertion on the one side and a denial on the other as to a question of fact, with no sufficient means at our command to determine which statement we could advise you to believe. Fortunately, however, these questions are not, for the most part, in our view, of any great materiality.

Fourth. No "charges," in a technical sense, have been formulated, either by Mr. Tulloch or anyone else, with respect to the subject-

matter of our inquiry. Inspectors Smith and Little are precise and explicit in their statements, but they usually describe abuses without seeking to fix responsibility for their existence. Their reports might have furnished the basis for charges, but do not contain them. Mr. Tulloch's letter of May 15 to the Postmaster-General reflects very gravely upon the character, conduct, and motives of various officials, past and present, but these accusations are not framed specifically or in orderly sequence. They have to be disentangled from lines of argument or narrative, sometimes quite foreign to their subject-matter, and they are not infrequently rather intimated than made in plain words. It thus happens that they are but seldom put in such shape as to admit only of a categorical "yea" or "nay" as answer, and the replies of the accused may read plausibly to one examining the correspondence superficially, while in reality all that is truly serious in the "charges" is evaded with generalities and practically unanswered.

This feature of the inquiry is illustrated very forcibly by—

### III. THE CHARGES AGAINST PERRY S. HEATH.

As above noted in the letter of Postmaster-General Payne of May 20, 1903, to Mr. Perry S. Heath, he inclosed a copy of Mr. Tulloch's letter of May 15, and said that it "especially charges you, as First Assistant Postmaster-General, with many acts of doubtful propriety."

In this instance, as in others, Mr. Tulloch's "charges" are not stated in any systematic form, but are mingled with much irrelevant matter, in great part of a purely personal character. From the letter, however, the following charges, among others of less importance, can be distinctly made out against the official conduct of Mr. Perry S. Heath while First Assistant Postmaster-General:

(1) A printed circular from the office of the First Assistant Postmaster-General required all post-office employees to give bonds to be furnished by a single surety company designated in the circular. This requirement was extended to letter carriers.

(2) By order from the First Assistant Postmaster-General the cashier of the Washington City post-office was required to pay to one J. Holt Livingston the price of furniture said to have been purchased for use in Cuba and Porto Rico, although Livingston admitted to the postmaster that he had not even yet begun to manufacture the furniture.

(3) Mr. Heath ordered the employment of one Oliver H. Smith as "laborer" in the Washington City post-office, and yet caused him to be paid as though for clerical services, and to be promoted to the position of "finance clerk" at \$1,700 a year.

(4) Mr. Heath ordered the employment of 8 females as charwomen, or cleaners, in the Washington City post-office, but instructed the postmaster that their names should not appear on the pay rolls, and that they were not expected to report for duty.

(5) Mr. Heath caused the transfer from other post-offices of many clerks to the Washington City post-office, without request from the Washington City postmaster, and without need for their services in that post-office, and instructed the postmaster to "consult" with one of these clerks, a Mr. D. G. Miller, and arrange hours of duty which would be "satisfactory" to him—Miller.

(6) Similar favoritism was shown, by Mr. Heath's orders and for personal reasons on his part, to one George C. Clavis, jr., another clerk in the post-office.

(7) Mr. Heath secured the appointment to office or promotion, as

"finance clerks" and "auditors," in several cases at salaries of \$1,600 and \$1,700 *per annum*, of a number of persons whose names are given and who at no time performed duties appropriate to such offices, in direct violation of the law and rules relative to classification of clerks.

(8) Mr. Heath caused the expenses and salaries of certain persons whom he sent to Cuba and Porto Rico to make "investigations" without any necessity, to be paid, in some cases, for weeks and even months after the return of these persons and when they were rendering no service to the Government.

(9) When the "revision" of the postmaster's accounts made by Gilmer was sent by the Comptroller to the postmaster for his explanations as to the items disallowed therein, Postmaster Willett said:

He had strict orders from General Heath to bring all papers received from the Comptroller immediately to him, and that his office would dictate all replies.

Mr. Heath was very angry with the city post-office officials because they had acknowledged the receipt of the Comptroller's letter before they knew of these orders and "charged us with having secretly acted in collusion with the Comptroller and his experts."

(10) When Mr. Heath "bought in" the Seventh National Bank, of New York, and became one of its directors he caused the postal funds, which for ten years had been deposited in the Chase National Bank, and amounted to a daily balance of from \$60,000 to \$200,000, to be transferred to his own bank.

To this letter Mr. Heath made a very general reply, referring specifically only to the single matter of Mrs. Winans, which, as above explained, Postmaster-General Payne had informed him had fallen within his own personal knowledge. Of her he says:

If Mrs. Winans did not render services equivalent to the compensation she received her superior officers were deceived. I did not know the woman when she was appointed, and had no personal interest in her. Her name was amongst the large number always on my desk, and I recall that she was well recommended for a position. I did not and could not attempt to personally ascertain whether persons appointed to positions in post-offices rendered satisfactory service. I do remember that this woman became a nuisance about the Post-Office Department, and that I refused to see her. She was reported to me by my chief clerk as being persistent in her demands for promotion or more desirable work. She at least pretended to my chief clerk, so he reported to me, to perform services warranting promotion or better compensation.

To the ten specific charges above formulated Mr. Heath made no other answer than the following statement:

I never appointed any person to any position or retained anyone in any position at any time with any sort of notion or idea that he or she was not to render full and honest service to the Government for the pay received. The intimation that there was any "honorary roll" upon which persons were placed for political or personal or other purposes than good service is a pure invention. It is a lie out of the whole cloth, as are most of the imputations of Tulloch. If any persons were so appointed or retained it was through their own dishonest designs.

We consider this answer altogether insufficient, and no less unsatisfactory in substance than in form.

The revision of Postmaster Willett's account, made by Mr. Gilmer for the Comptroller, disallowed a number of payments made on the authority of Mr. Heath. Among these were some to Oliver H. Smith; to the charwomen or cleaners; for traveling expenses of Mr. Heath and Mr. Beavers; and to the five persons employed, apparently by Mr. Heath, on the letter-carrier overtime cases. We will hereafter discuss

this revision more fully; but, of itself, it suffices to show that Mr. Heath's official record is not so clear as to defy suspicion.

Moreover the "confidential report" of Inspector in Charge Smith, and the "special report" of Inspector Little tend so strongly to sustain some of the most serious charges made by Mr. Tulloch against him that it is quite impossible to dispose of these charges by calling them "lies out of the whole cloth," especially when we remember that the "confidential report" is stated by Inspector Smith to set forth irregularities discovered *by himself*, and that the "special report" was prepared a whole year after Mr. Tulloch had left the office. It would have been more satisfactory, doubtless, if Mr. Tulloch's letter had been so drawn as to indicate more clearly the necessity for a distinct and categorical denial of each one of these charges; but the reasonable inference to be drawn from Mr. Heath's complete failure to meet fully and explicitly accusations which, as Postmaster-General Payne very justly admonished him, "charged him with many acts of doubtful propriety," added to the facts appearing from the record evidence laid before us, oblige us to say that at least a strong *prima facie* case is presented of willful and reckless disregard by the late First Assistant Postmaster-General of obligations imposed on him by the regulations of his own Department, as well as by the statutes of the United States; and we feel it our duty to add that suspicion of his personal integrity must be inevitably aroused in our judgment by an impartial consideration of the facts submitted to us and of his plainly inadequate explanations.

#### IV. ANALYSIS OF THE CHARGES.

We have dealt at some length with some of the more important among the charges against Mr. Heath; it could serve no useful purpose and would needlessly prolong this report to treat all the others so minutely. They may be summarized as alleging:

First. Improper appointments of subordinates; and

Second. Improper disbursements of public funds.

Under the *first* head it is claimed:

(1) That subordinates were employed, without necessity or advantage to the service, in distant post-offices just about to be classified only that they might be transferred to the Washington post-office immediately after the classification;

(2) That subordinates were employed in the Washington post-office as "laborers" to do "classified" work; and

(3) That subordinates were employed in the Washington post-office as "laborers," or in positions otherwise exempted from competitive examination, whose services were not needed and who, in many cases, were not expected to, and did not in fact, render any service.

Under the *second* head we have to consider:

(A) Payments alleged to be illegal for reasons of *form*; and

(B) Payments alleged to be illegal for reasons of *substance*. And in each case we must determine the responsibility for any irregularities found to exist of

(a) Officials of the Washington post-office and the Post-Office Department; and

(b) Officials of the Treasury Department, i. e., the Auditor and Comptroller.

We proceed to examine the charges in the foregoing order.

V. SUBORDINATES EMPLOYED IMMEDIATELY BEFORE THE CLASSIFICATION OF THEIR POST-OFFICES AND TRANSFERRED TO WASHINGTON IMMEDIATELY AFTER THEIR CLASSIFICATION.

In his letter of May 15 to the Postmaster-General Mr. Tulloch says:

Transfers were made by the First Assistant Postmaster-General from outside offices without any request or demand from the local postmaster. As such might be mentioned April 19, 1899, Elsie J. Anderson, \$600, from Sistersville post-office, W. Va.; May 27, 1899, William Bonar, \$600, from Nyack, N. Y.; March 10, 1899, Percival Marshall, \$600, from Columbia, Tenn.; D. G. Miller, \$900, from Winchester, Va. The postmaster was directed by General Heath to consult with Mr. Miller and arrange hours which would be satisfactory to him.

As already noted, Mr. Heath makes no denial of any of these statements in his letter of May 25. In the interview of May 1, Mr. Tulloch had previously said:

With regard to appointments or promotions of personal and political friends or the transfer of same to Washington from some obscure office just placed among the classified, all that is required is the action of the First Assistant Postmaster-General's office salary and allowance division. It finds the money, designates the appointment or promotion or transfer, and the local postmaster keeps on adding additional employees as directed, whether their services are required or not, while other offices badly in need have to go without.

This allegation likewise is not *distinctly* questioned in any of the letters submitted to us, the specific statements on the subject of Mr. Merritt's letter of May 5 being carefully confined to the period *subsequent* to Mr. Payne's qualification as Postmaster-General, which occurred more than two years and a half after his own assumption of office and Mr. Tulloch's removal; while in his second letter he says nothing whatever in relation to it; so that Mr. Tulloch was quite justified in saying in his letter of June 3:

The statements by Postmaster Merritt of appointments, promotions, and transfers in his office is limited, at your request, to the period of your administration. It might be interesting to know what was done previous to that time and while Mr. Heath was in office.

This whole subject has been, however, so fully treated in the recently published letters of Messrs. Smith and Procter before mentioned, and the facts connected with it have been so long notorious through repeated references in the published reports of the Civil Service Commission for several years past, as well as by the results of the late official investigation by the Commission, whose report has been laid before us, that we feel any elaborate discussion of the evidence on our part would be obviously superfluous. It may be safely *assumed* as a conceded fact that the practice thus noted by Mr. Tulloch has been frequent and persistent in connection with the Washington post-office. It will be more to the purpose to consider its character "from a legal standpoint," and to do this we must first state clearly just what it is.

By clause *second* of section 6 of the civil-service law the classified service was made to include "the several clerks and persons employed or in the public service at each post-office or under any postmaster of the United States where the whole number of said clerks and persons shall together amount to as many as 50;" with power to the President to extend the classification, from time to time, to "the clerks and persons so employed in the postal service in connection with any other post-office." There were 23 such post-offices when the law was passed; in ten years the number had increased, by the gradual growth of the

service to meet public needs, to 53. On January 5, 1893, President Harrison extended the classification to the "clerks and persons so employed" in *all* free delivery post-offices, thus increasing the number of classified offices at once to 606. This number has increased steadily and rapidly since then and is now about 1,000.

During the four years ending on June 30, 1898, 1899, 1900, and 1901, respectively, there were added to the classified service in this manner 1,717 persons at 236 offices. During that time section 7, of Rule II, of the Civil Service Rules (since amended), read as follows:

A person holding a position on the date said position is classified under the civil-service act shall be entitled to all the rights and benefits possessed by persons of the same class or grade appointed upon examination under the provision of said act.

Among the "rights" so acquired was that (under sec. 2, of Rule II,) to be transferred, *without examination*, from any department, office, or branch of the service "upon requisition and consent of the proper officers and the certificate of the Commission."

The number of employees in unclassified post-offices is fixed, and the individuals employed may be designated practically by the salaries and allowances division, under the supervision of the First Assistant Postmaster-General; and the latter has, therefore, or then had, the power, if the Postmaster-General should tolerate his exercising it, to cause the postmaster in a post-office about to become one of free delivery, and consequently, *ipso facto*, classified, to employ a number of additional clerks or other subordinates only a few days before the classification, who became members of the classified service immediately afterwards and could be transferred to positions in the Washington post-office and elsewhere, which they could have otherwise obtained only through success in competitive examinations and certificates from lists of eligibles. There can be no reasonable doubt, we think, that this power was freely exercised, and, in fact, grossly abused, by Mr. Perry S. Heath while First Assistant Postmaster-General.

We have said that he had and exercised a *power* under the law then existing. Was it also a legal *right*? We have no hesitation in answering this question in the negative. The employees for whose benefit section 7 of Rule II was intended were *bona fide* employees in the offices about to be classified, hired in good faith to do work which the public interest required to be done *there*, and not with the design to indirectly violate the distinct prohibition of section 7 of the civil-service law, which declares:

No officer or clerk shall be appointed and no person shall be employed to enter or be promoted in either of the said classes \* \* \* that may be arranged hereunder pursuant to said rules until he has passed an examination or is shown to be specially exempted from such examination in conformity herewith.

These persons were "employed" in the post-offices about to be classified *precisely* "to enter" one "of the said classes" of public servants *without* having passed an examination; or, in other words, their employment was for *the very purpose* which is *totidem verbis* forbidden by the statute. Such an employment constituted an evident fraud upon the law, and the doctrine is as old as the Duchess of Kingston's case that "fraud vitiates the most solemn acts ecclesiastical and civil." We can not find any statute of the United States which constitutes such action on the part of a responsible Federal officer a crime; but it is clearly a grave breach of public trust. So far as is indicated by the papers submitted to us, the persons *directly* responsible for these fraudulent employments were Messrs. Perry S. Heath and



George W. Beavers, neither of whom is now in the public service. It seems clear, however, that this responsibility extends, in some measure, to the late Postmaster-General, who appears to have at least tolerated the practice after notice of its existence, and to the late and the present postmasters at Washington, each of whom appears to have accepted the transfer to his office of a number of persons thus employed without, so far as is shown, any protest or exposure, facts substantially admitted as to himself in Mr. Merritt's letter of June 29.

#### VI. LABORERS EMPLOYED TO DO "CLASSIFIED" WORK.

In the Postmaster-General's letter of May 2 to Mr. John R. Procter he quotes from Mr. Tulloch's interview of the day previous the statement:

The civil service can always be gotten around when necessary, as seen in the appointment of cleaners, charwomen, laborers, financial clerks, auditors, and other excepted persons, *irrespective of the duties performed.* \* \* \*

Mr. Payne adds:

I consider this statement, if true, a reflection upon the efficiency of the Civil Service Commission, as well as upon the integrity of the administration of the Washington post-office.

We do not feel called upon to express any opinion as to whether the facts thus stated impugned the efficiency of the Civil Service Commission, as organized during the years to which Mr. Tulloch's allegations refer (i. e., the years 1897 to 1900), but there can be, we think, no doubt that the above-quoted statement, if somewhat exaggerated, contains a large measure of truth, and that this fact reflects gravely upon "the integrity of the administration of the Washington City post-office" during the period in question."

In the report of Inspector Little on the annual inspection of the office, completed July 31, 1900 (this is not the "special report" heretofore mentioned), he states that besides 11 "janitors" there were then employed for the office 1 "laborer" at \$400 *per annum*, 4 more at \$500, 30 at \$600, and 29 at \$700, or 64 in all. The "foreman" of this large force was no other than the Oliver H. Smith who figures in so many capacities in this correspondence, and was appointed "finance clerk," a position excepted from competition under the civil-service rules because of its supposed necessary connection with the handling of funds and consequent "confidential" character, but seems to have discharged altogether different duties.

The reports and correspondence show conclusively to our minds that the service of a large proportion of these so-called "laborers" were either wholly or partially clerical or supervisory, although we must not be understood as intimating that their services were in all cases, without value to the Government. On the contrary they seem in some instances to have done the proper work of more highly paid employees retained in the service for other reasons than the public interest. Thus in the report of Inspector Little, lastly above quoted, after saying of the former superintendent of a station, "he can not issue a money order or make out a report, and never was able to do so when superintendent," and of another officer who was borne on the roster as "money-order clerk," that he "can not perform the duties of that position and has been employed as stamp clerk. He is too infirm to fill that position satisfactorily and should be removed for the good of the service," adds that a certain young lady "is also assigned to this

station as a laborer, at \$600 per annum, and is rendering good service as a clerk; but her employment, or that of some other competent clerk, is necessary to make up the deficiencies of" the two men mentioned.

In Mr. Merritt's second letter (that of May 26 last) to the Postmaster-General, he says:

The practice which Mr. Tulloch condemns of employing a man, for example, as finance clerk and giving him a duty seemingly incompatible with that position, I found in existence when I came into office. It extends, as I am told, to probably every large post-office in the United States. I have repeatedly called attention to it. There is no real abuse in it, however, the employees thus irregularly designated being all usefully employed.

We can not agree with Mr. Merritt. The practice involves not merely an "irregularity" in the designation of employees, but a clear and open violation of law. Its evident purpose is to effect the employment without competitive examination of persons to whom the proper work of employees in the classified service will be subsequently assigned. Such a proceeding was at the time of which he speaks, and would be now, a defiance of the law.

By the first clause of section 2 of the civil-service law it is provided of the rules to be prepared by the Commission that—

When said rules shall have been promulgated, it shall be the duty of all officers of the United States in the departments and offices to which any such rules may relate to aid, in all proper ways, in carrying said rules, and any modification thereof, into effect.

By opinion of the Attorney-General rendered August 29, 1903, it was determined that—

The civil-service law, approved January 16, 1883, chapter 27, provides substantially that the rules promulgated by the President for carrying it into effect shall have the force of law.

By section 1 of Rule II it is provided that—

Any person in the executive civil service of the United States who shall willfully violate any of the provisions of the civil-service act or of these rules shall be dismissed from office.

Rule XIII of the civil-service rules duly promulgated provides that:

No person who is appointed as a laborer or workman without examination under the civil-service rules shall be assigned to work of the same grade as that performed by classified employees.

We have already quoted the provision of section 7 of the civil-service law forbidding the employment of anyone "to enter" the classified service "until he has passed an examination or is shown to be specially exempted from such examination;" the exception from this requirement of "any person *merely* employed as a laborer or workman," shows, if indeed any demonstration were needed, that a position involving duties *partly* mechanical and *partly* clerical or supervisory is properly within the classified service; so as to justify the terms of section 4 of Rule III, which says:

The post-office service shall include all officers and employees in free-delivery post-offices \* \* \* except persons employed merely as laborers or workmen. \* \* \*

And the decision of the Civil Service Commission that:

All the employees who \* \* \* are not employed *merely* as laborers or workmen are classified employees \* \* \* and must be appointed in the manner provided by the civil-service rules. (Nineteenth Report of the Civil Service Commission, p. 115.)

In our opinion, these citations, without further discussion, are sufficient to show that the employment of "laborers" to do clerical work is altogether illegal, that every officer responsible for such employment should have been dismissed from office as soon as the facts were ascertained, and that the "laborers" should have been, and if any are still so employed, should now be at once discharged.

#### VII. EMPLOYMENT OF LABORERS, ETC., WHO RENDERED NO SERVICES.

It appears that seven females were placed on the rolls of the Washington City post-office—five at salaries of \$600 *per annum* and two at \$400 *per annum*—who received their pay up to the date of the inspection of the post-office on June 30, 1899. They were Emma Janes, Fannie R. Winans, Fannie L. Jeffrey, Laura A. Nevitt, Lizzie Crowther, Frances Daly, and Helen Fenton.

Inspector Smith in his "confidential report" of July 6, 1899, states that, on inquiry of the postmaster he found that neither he nor anyone connected with the post-office could tell him what service these females performed, or where they performed it, and he expresses the opinion, as the result of his investigation, that they rendered no service whatever.

The payments of salaries to Fannie R. Winans, Emma Janes, Laura A. Nevitt, and Fannie L. Jeffrey, were disallowed by the Comptroller in his revision of August 31, 1899, because illegally paid out of an appropriation for "Miscellaneous expenses;" but we infer from Mr. Castle's letter of May 22 that they were subsequently charged to another appropriation and allowed on new vouchers.

The report of the inspectors on their annual inspection of the Washington, D. C., post-office, which is signed by five post-office inspectors, states:

We also found a "special roll" of employees paid from miscellaneous allowance, said appointments being under control of the Post-Office Department. This roll consists of 9 "cleaners," with salaries from \$400 to \$600, and 1 "physician," at a salary of \$1,700.

Mr. Tulloch in his letter of May 15 says in this connection:

The postmaster one day brought me an allowance of the First Assistant Postmaster-General, salaries and allowances division, July 27, 1898, appointing Emma Janes and Fannie R. Winans as cleaners and charwomen, from July 1, 1898, at \$600 *per annum*. Handing me the allowance, he stated it was an order of the Department that the names of the women should not appear on any pay rolls; they must be paid on individual vouchers, and I must so arrange for the payments that each of the parties designated should not know that the other was in receipt of any money or had any connection with the office. He also stated that neither of them was expected to report for any duty. \* \* \* Mrs. Janes appeared and demanded the first payment of her salary. I informed her she would have to obtain a certificate with regard to the date of commencing service from the superintendent to whom she was assigned. She replied that her duties were of a confidential nature and that she had not been assigned to any division. \* \* \* She afterwards returned with a direction from Mr. Beavers directing her payment from a date specified. This "complimentary roll" was added to as follows, by direction of the First Assistant Postmaster-General.

Then follow the names of eight women. We have already seen that one of these women (Fannie R. Winans) told the present Postmaster-General she "did nothing for eleven months, drawing her pay meantime," and what Mr. Perry S. Heath said of her.

In the "explanations," supposed to have been prepared by Mr.

George W. Beavers for Postmaster-General Smith, this "irregularity" is explained as follows:

The persons referred to as cleaners were regularly appointed and detailed to the post-office at Washington, D. C. The postmaster was instructed and it was part of his duty to have provided employment for them, or reported to this Department, if it was a fact, that there was no employment for them, when their services would have been dispensed with.

It will be noted that, according to this "explanation," the women were evidently not appointed because the postmaster (or, so far as appears, anyone else) thought their services were needed; they were "regularly appointed" *first*, and the postmaster was afterwards "instructed \* \* \* to have provided employment for them," at least if he could. In this connection we may call attention to the following passage in Inspector Little's regular report on the annual inspection of the office for the year following:

Relative to other names mentioned above as appearing on the roster, and not actually employed in the office or under control of the postmaster, he informs me that the names have been placed there by official orders from the Post-Office Department, and that he has made no request for their appointment, and that in some instances, as in the case of Mr. Fowler and Miss Spates, it was difficult for him to find work for them to do.

With an annual expenditure, as shown by the roster, of \$399,500, exclusive of carriers and clerks in charge of substations, such assignments and transfers create a large increase in the percentage of expenditures to gross receipts.

Postmaster Merritt, in his letter of May 26, 1903, to the Postmaster-General, says as to the first above-mentioned seven females and one other:

They were all appointed before I came into office. One of them, Miss Emma Janes, was dropped from the roll some time before that. Fannie R. Winans never reported to me at all, and I had her dismissed from the date of my installment \* \* \*. Helen Fenton has not been upon the rolls since my appointment, nor has she received pay from me in any other way. The remaining five, Fannie Jeffreys, Laura E. Nevitt, Lizzie Crowther, Kate E. Whitesides, and Frances Daly, are all worthy women, and I had no cause for removing them. Mrs. Nevitt long ago resigned.

Two queries are obviously suggested by this singularly worded passage:

Was the mere fact that the five women retained were "worthy" a sufficient justification for paying them salaries if they had nothing to do? And if the *five* were *retained* because they were "worthy," were the *three dropped* because they were "unworthy?" If so, how did they show their lack of "worth?"

At the end of Exhibit B, appended to the letter of the Fourth Assistant Postmaster-General to the Postmaster-General, dated May 4 last, is the following passage:

Under date of July 5, 1899, referring to the inspection of the Washington post-office, concluded June 30, 1899, Inspector Owings states that they found the name of one charwoman on the roster of stations A, B, and G, and the superintendents were unable to state what duties they performed and what salaries were paid; that in conversation with Mr. Beavers, chief of salary and allowance division, after the transfer of the post-office to Postmaster Merritt, he (Beavers) requested the inspector to inform the inspector in charge that when he struck the names of the charwomen of the stations it would be well not to mention them in his report, as they were personal appointments of the Postmaster-General, and their appointment had been authorized by the Department, and that they had only been temporarily assigned to the stations until they could be assigned elsewhere.

**Mr Bristow says of this incident:**

During the progress of the inspection I was advised by the chief inspector that Mr. George W. Beavers, chief of the salary and allowances division, had suggested to one of the inspectors that when he came to certain appointments in some of the stations that appeared irregular he had better make no reference to them as they had been ordered personally by the Postmaster-General.

The inspectors seem to have had very nearly the same experience a year later, for Mr. Bristow says of the inspection then made by Inspector Little:

This inspection was begun when I was absent from the Department. When I returned I was informed by the Chief Inspector that complaint was made to the Postmaster-General that Inspector Little, who was engaged on the work, was asking unnecessary questions, and seeking information which was not called for in an inspection. I advised him to instruct Inspector Little to make the same kind of an investigation of the Washington post-office that he would make of any other office under similar circumstances, and to submit in a special report anything which he thought should be called to the personal attention of the Postmaster-General. This he did.

In this "special report" of Inspector Little of the inspection completed July 31, 1900, the names of eight females appear as performing the duties of charwomen. Among these are Frances Daly, employed at \$500 to clean the assistant postmaster's room and stamp room; Fannie L. Jeffreys, at \$600, to clean Mr. Vickery's room on the first floor; Lizzie Crowther, at \$400, to clean a room used by Mr. Vickery's clerk. This inspector says:

One of these women at Station A and three at the main office, at a compensation of \$240 *per annum* (the same as is paid charwomen by the Post-Office Department), could do the necessary sweeping and dusting at a cost of \$960 *per annum*, reducing expenses on this item alone \$2,640.

And in his report of "annual inspection" of same date this same inspector says of the three "worthy" women last mentioned and three others:

The six last-named persons report at 5 p. m. and leave "when done." Their work is identically the same as that performed by the charwomen of the Post-Office Department at \$240 *per annum*.

We entertain no doubt that some, at least, of these women, and certain other employees as well, were employed by the responsible officers with full knowledge that their services were not needed, and that their employment burdened the Government with a wholly useless and unnecessary expense, and that whatever may have been the motive for this unjustifiable action it was not prompted by a regard for the public interest. With respect to certain of the appointments we must say more. If it be true, as intimated by Mr. Tulloch, that Fannie R. Winans and Emma Janes, or any of the others, were employed with a distinct understanding between each of them and the officer or officers employing her, that she should be enrolled and paid as a laborer, but should render no service whatever, then we think that such an understanding constituted "a conspiracy to defraud the United States" under the terms of United States Revised Statutes, section 5440, and any act connected with the fraudulent employment—as, for example, the making out of an allowance, to authorize it, or the payment or receipt of salary thereunder—if done by any party to the original agreement, would be an "act to effect the object of the conspiracy" mentioned in the same section.

The case might be a little stronger if the employment should prove to be one governed by section 4 of the act approved August 5, 1882 (22 Stat. L., 255), forbidding payments except "for services actually

rendered \* \* \* and at the rate of compensation usual and proper for such services;" but, without regard to this statute, we consider an agreement that the United States should pay to get something and get nothing, made knowingly by an officer of the Government, "is a conspiracy to defraud the United States."

(N. B.—We may here mention that copies of the letter of the Postmaster-General to the Civil Service Commission, dated May 4 last, of the replies of the Commission dated May 5 and June 12, of the statement of the Postmaster-General made in presence of Mr. Procter on June 13, of the letter of Mr. Procter to the Postmaster-General dated July 24, and of two letters of Mr. Merritt to the Postmaster-General dated, respectively, June 29 and September 1, were submitted to us after this report had been, in great part, prepared, and have been duly considered by us, although we have found nothing therein to change our conclusions previously reached.)

#### VII. IMPROPER DISBURSEMENTS OF PUBLIC FUNDS AS AFFECTING POST-OFFICE OFFICIALS.

We have already noted the distinction to be drawn between disbursements improper for reason of *form* and disbursements improper for reason of *substance*. This distinction seems to us eminently material as affecting the responsibility of administrative as distinguished from fiscal officers. The interests of the Government are protected in this respect by many minute safeguards, prescribed, in some instances, by statute, but more frequently by practice and the precedents established in the peculiar jurisprudence of the Comptroller.

These safeguards are well adapted to the ordinary business of the Government, but in emergencies they sometimes prove more or less serious impediments to effective administration; and, supposing the ends in view to be salutary and *clearly* legal, officials of the administrative department are, we think, entitled to be judged indulgently if these forms are occasionally neglected. Irregularities of this character undoubtedly occurred in connection with the large expenditures rendered suddenly necessary by the outbreak of the Spanish war, especially since the military post-offices established, at first in the various camps, afterwards in Cuba, Porto Rico, and the Philippines, were by an arrangement as to whose merits we are not qualified or required to speak, treated as outlying stations of the New York, Washington, and San Francisco post-offices.

It appears also to have been a practice of long standing in the Post-Office Department to sometimes meet expenses of unprofitable post-offices or of the Department itself out of the surplus revenues of other post-offices, and although the legality of this custom is not altogether free from doubt, and in the words of Auditor Castle, in his letter of May 22 last, to the Postmaster-General, it "sometimes violates rules of correct accounting," it has been so long observed and is occasionally so convenient to those immediately interested that it furnishes, in itself, we think, no reasonable ground for criticism. Mr. Tulloch's censure is undoubtedly much weakened, and the difficulty of dealing fairly with his "charges" proportionately increased by his habit of combining allegations of *mere* irregularities, arising, for the most part, from one or other of the two foregoing causes, with statements which in substance accuse the officials concerned of actually misappropriating the public funds or conniving at such misappropriation. We

shall confine our attention exclusively to accusations of the last-mentioned class, treating any errors of *mere* form on the part of the post-office officials, when the money paid has in fact reached the persons and been used for the ends intended by Congress, as too clearly condoned by lapse of time to make their investigations fruitful. Unfortunately this limitation of our inquiry leaves it still a regrettably wide field.

In the confidential report of Inspector in Charge Smith, filed July 6, 1899, it appears that there was "authority from the office of the First Assistant Postmaster-General to pay the following-named persons *per diem* in connection with claims of letter carriers for overtime charges" in the aggregate the following amounts:

Katherine Endsley, from July 14, 1898, to April 28, 1899, 261 days, at \$5 per day.....	\$1, 305
Charles A. Machen, from July 14, 1898, to April 28, 1899, 260 days, at \$4 per day.....	1, 040
A. B. Hurt, from July 30, 1898, to April 28, 1899, 260 days, at \$4 per day....	1, 040
John S. Leach, from October 13, 1898, 30 days, at \$3 per day.....	90
H. L. Lorenz, from July 30, 1898, to April 28, 1899, 260 days, at \$4 per day..	1, 040
F. W. Wait, 35 days, at \$4 per day.....	140

In the letter of the Comptroller to Postmaster Willett of April 26, 1899, he states that Machen, Lorenz, and Hurt were paid *per diem* by the Department of Justice for the same services during a part of the same time, and from the reply to this letter it is evident that this is true for the entire period. Inspector Smith states that, on receipt of the Comptroller's letter—

The necessity for such services suddenly and entirely ceased with final payment for the month of April, and no similar claims have since been presented.

In the "explanations" prepared, as above explained, by Mr. Beavers, for Postmaster-General Smith, this "irregularity" is sought to be explained by a statement said to be quoted from the report of the Postmaster-General for the fiscal year ended June 30, 1894. This quotation is as follows:

To expedite a settlement of these claims (i. e., letter carriers' overtime claims), in which the interests of the Department as well as those of the letter carriers might be fully protected, an arrangement was made with the Department of Justice, by which the assistant superintendent of the free-delivery system was commissioned by the Court of Claims a special commissioner in the settlement of overtime claims by letter carriers. The special commissioner entered upon his duties January 9, 1894.

On September 5, 1894, the Court of Claims appointed another special commissioner to investigate and report upon letter carriers' overtime claims, and this office detailed a clerk of the free-delivery division to assist the commissioners in making necessary computations and to perform other clerical work necessary to a prompt adjudication of all claims.

It is sufficiently obvious that the arrangement entered into between the Department of Justice and the Post-Office Department for the adjustment of the letter carriers' claims through a commission, for which the Post-Office Department was to furnish one clerk, afforded no satisfactory explanation of the appointment of these six persons at large, though unequal compensation for this service. Inspector-in-Charge Smith goes on to say in his "confidential report:"

What the nature of these services were or where performed I can not state; suffice it to say, however, that these parties continued to draw pay until the receipt of Comptroller Tracewell's letter.

More light is shed on the true nature of this transaction by the Comptroller's memorandum giving his reasons for finally allowing the items. He says:

Relative to the vouchers of Katherine Endsley, Charles A. Machen, A. B. Hurt, H. Lorenz, and John S. Leach, charged to incidental expenses free-delivery service, it is quite true that these payments were not only irregular, but in all probability, in a measure, wrongful and authorized for the purpose of increasing the salaries of these people, but when I come to consider by whose authority this thing was done, and the extent of it, and the fact that our directing attention to it has worked a discontinuance of the whole thing and stopped the evil practice, I conclude that it would be the better policy to rest on what we have gained and not make these disallowances, but to say in the revision that as the practice has been stopped, in consideration of all things, I deem it not the best policy to disallow these payments.

The view we take of such action made evidently proper that we should ascertain to whom Mr. Tracewell referred in saying: "When I come to consider by whose authority this thing was done." We therefore addressed a letter of inquiry to him, and received an answer in which he says:

Replying to your favor of the 6th instant, dated at Winchester, Va., I have the honor to say that when I used the language, "but when I come to consider by whose authority this thing was done," etc, I referred to the Attorney-General and the Postmaster-General, as will appear from the following quotation taken from the explanations of the postmaster at Washington, which were before me at the time. This explanation was a written statement by the Acting First Assistant Postmaster-General.

"The salaries of these employees were paid by the Department of Justice; their expenses, by the free-delivery service, Post-Office Department. This arrangement was entered into verbally between the Attorney-General and the Postmaster-General in 1894, when it was found necessary to detail persons trained in the postal service to investigate letter carriers' claims for overtime, so that the Government would be fully protected."

I inclose for your information a complete copy of such statement.

In the copy of the "explanation" there is the following further statement on the subject:

The payments or per diems to Katherine Endsley, Charles Machen, A. B. Hurt, Henry Lorenz, and John S. Leach were in lieu of all expenses, including subsistence. A. B. Hurt and Henry L. Lorenz were special commissioners in the Court of Claims in the settlement of overtime claims of letter carriers. Katherine Endsley, Charles A. Machen, and John S. Leach were their clerks during that quarter. The work of these commissioners was not limited exclusively to the Department of Justice. While investigating overtime claims of letter carriers they instructed postmasters and their subordinates as to their special duties under the eight-hour law passed May 24, 1888. The salaries of these employees were paid by the Department of Justice; their expenses by the free-delivery service, Post-Office Department. This arrangement was entered into verbally between the Attorney-General and the Postmaster-General in 1894.

As we have already noted, the "explanations" in answer to the "confidential report" show that the agreement between the two Departments, made in 1894, provided merely for the detail of one clerk from the post-office force to assist in defending these cases. We have the less difficulty in agreeing with Mr. Tracewell that "these payments were \* \* \* in all probability \* \* \* authorized for the purpose of increasing the salaries of these people" from developments in connection with another matter which, although not apparently known to Mr. Tulloch or connected with the Washington office, seems to us very plainly a part of the same transaction. It was brought to our attention through a copy of a special report made on May 28 last to the chief inspector by Inspector Crowell, "relative to a charge of



\$1,148 for expense of G. W. Beavers, in assisting special attorneys in the Court of Claims, in the settlement of letter carriers' overtime claims, from July 1, 1898, to May 31, 1899, paid by the postmaster at New York, N. Y., in the fiscal year of 1899." It appears from this report that:

A copy of the first letter bearing on the subject is found in the letter-press copy book of the First Assistant Postmaster-General, volume 186, page 190, dated October 29, 1898, addressed to the postmaster at New York, N. Y., which reads as follows:

"SIR: You are authorized to pay Mr. George W. Beavers at the rate of \$4 per day for every week day from July 1, 1898, for expenses as assistant to the special attorneys in the Court of Claims in the settlement of letter carriers' overtime claims."

This letter is signed by George M. Allen, Acting First Assistant Postmaster-General, and bears the initials "A. W. M." In accordance with this order, Mr. Beavers was paid \$316 in the third quarter of 1898, \$316 in the fourth quarter of 1898, \$308 in the first quarter of 1899, and \$208 in the second quarter of 1899. Under date of June 8, 1899, the postmaster at New York, N. Y., was notified to discontinue this payment by letter from George M. Allen, Acting First Assistant Postmaster-General, bearing initials "A. W. M.," reading as follows:

"SIR: The \$4 *per diem* allowed Mr. George W. Beavers as additional compensation has been discontinued, to take effect June 1, 1899."

It will be observed that the letter of October 29, 1898, designated the \$4 per diem as "expenses," while that of June 6, 1899, reads "additional compensation." Mr. Beavers at the time these payments were made was chief of the salary and allowance division of the Post-Office Department, at the salary of \$2,500 per annum, and the records of the disbursing clerk of the Post-Office Department show that he drew his salary as such during the entire period covered by these vouchers.

It appears, further, from the report that the Auditor for the Post-Office Department wrote with regard to one of these payments to the postmaster at New York as follows:

Voucher 268, George W. Beavers, \$308; expenses in assisting special attorney and commissioner of Court of Claims in adjusting carriers' overtime claims, seventy-seven days, at \$4 per day.

The order of the Postmaster-General, directing this employment in the capacity stated, should accompany the account. If this payment is a *per diem* allowance in lieu of all expenses, the claim can not be considered. If, however, it is intended to cover actual expenses incurred, it will be necessary for Mr. Beavers to furnish itemized vouchers or a sworn detailed statement, when vouchers can be obtained covering this amount. The evidence must clearly show the places where and dates when these expenses were incurred.

### The report proceeds:

It is evident that Mr. Van Cott, postmaster at New York, upon receipt of this letter immediately wrote to the First Assistant Postmaster-General for instructions, as appears by the following copy of a letter on file in the free-delivery division, office of the First Assistant Postmaster-General:

JUNE 2, 1899.

HON. PERRY S. HEATH,

*First Assistant Postmaster-General, Washington, D. C.*

SIR: I beg leave to inclose herewith for your information copy of a letter received from the Auditor for the Post-Office Department, relative to certain expenditures made on the free-delivery account. As specific authority was received from the Free Delivery Division for each of these items, I beg leave to ask what action I shall take in order that credit may be allowed for the same?

Very respectfully,

C. VAN COTT, *Postmaster.*  
E. S. P.

In reply to this letter Mr. Van Cott was notified in a letter signed George M. Allen, Acting First Assistant Postmaster-General, initialed "A. W. M.," that in reply to his communication of the 2d instant, he should submit to the Auditor copies of letters granting authority to incur the expenses referred to: that the matter had been taken up with him and full credit would be allowed for payments of the kind referred to up to and including May 31, 1899. This appears to have been done, as a copy of letter dated June 10, 1899, filed herewith, the original of which is in New York, N. Y., post-office account for the first quarter, 1899, is to that effect.

The Auditor's action is explained by himself in the following "Memorandum," which Inspector Crowell very justly characterizes as "remarkable:"

This voucher, and others of similar character in the quarterly returns of the New York post-office for the two preceding quarters, apparently show irregularities and violations of section 1765, Revised Statutes, and Comptroller's decision pertinent thereto. Explanations made clearly show, however, that there was no knowledge of violation of any statute.

It appears that as an inducement to securing the services of Mr. George W. Beavers as the chief of the salary and allowance division of the Post-Office Department, he was promised an increase of salary over that then appropriated for.

To redeem that promise the evident purpose was to appoint him to an additional office, not incompatible under the law and the decisions in the "Saunders case," with that of the chief of the salary and allowance division, thereby giving him a salary considered commensurate with his services, but in reality the imperfect arrangement disclosed by these vouchers was made. These vouchers in purpose really constitute salary, and not *per diems*, and in that sense are not in conflict with actual expense allowances to Mr. Beavers for authorized traveling performed in his capacity as chief of the salary and allowance division. The disallowance of these vouchers would result in a breach of faith on the part of the Post-Office Department and the Auditor's Office, which apparently originally acquiesced in the arrangement as consummated, and they are therefore hereby allowed.

These allowances are further justified by the action of Congress in recognizing the merit of Mr. Beavers' claims by appropriating for an increase in his salary beginning with the ensuing fiscal year, and by the further fact that the irregular payments were promptly discontinued upon attention having been directed to them. It being the manifest disposition of the Comptroller in the revisions of such accounts to "reform and not to punish," it is felt that the action herein taken is entirely proper, the future being guaranteed.

For substantially the same reasons other similar irregular vouchers in this account will be passed, the irregular practice having been discontinued.

HENRY A. CASTLE, *Auditor*.

The true value to the United States of the services rendered by Mr. Beavers (he is the same person who recently retired from the service and is now under indictment in the District of Columbia and eastern district of New York), and the fact that Congress (in entire ignorance that he had been paid these large sums) increased his salary by \$500 *per annum*, seems to us irrelevant to the merits of this transaction.

The following circumstances appear to us relevant:

(1) "These vouchers," says the Auditor, "really constitute salary." Therefore, since they were made out for "expenses in assisting special attorney" the statement was a willful falsehood, and their presentation with knowledge of this falsehood constituted the willful presentation of a false voucher, which is made a crime by Revised Statutes, section 5438.

(2) They were, as we may safely assume, sworn to by the payee, who, of course, knew at the time that he had incurred no such "expenses," and that the payment was intended to be, and was in fact, what it was called in Mr. Allen's letter of June 8, 1899, "additional compensation." Such an oath would seem clearly to be perjury under Revised Statutes, section 5392.

(3) By section 2 of the act approved July 31, 1894, it is provided that:

No person who holds an office the salary or other compensation attached to which amounts to the sum of \$2,500 shall be appointed to or hold any other office to which compensation is attached, unless specially authorized thereto by law.

To Mr. Beavers' office there was attached a salary of \$2,500 *per annum*, therefore the "arrangement" mentioned by the Auditor, even if it appeared that he had been intended to render, and had in fact

rendered, some service in "assisting special attorney," etc., would have constituted an agreement to violate the plain law.

(4) From the language of the "Memorandum," however, taken in connection with the "Confidential report" and especially with the fact that, as is said by Inspector in Charge Smith, "the necessity for such services suddenly and entirely ceased," in this case, and in the others, almost immediately after the illegality of the payments had been exposed by Mr. Gilmer; we are led to suspect, and indeed, so far as we are at present advised, to believe that no such services were in reality rendered by some, at least, of those paid, including Mr. Beavers; and that the "arrangement" was one whereby the Government was made, and intended to be made, by a successful fraud to pay for services never rendered by persons never legally in its employment for this purpose; for reasons already given, we consider such an agreement a "conspiracy to defraud the United States" under the terms of Revised Statutes, Section 5440.

We may conclude our consideration of this branch of the subject by a brief review of the facts appearing as to the appointment, compensation, and promotion of Oliver H. Smith, Mr. Tulloch, in his letter of May 15 says:

Mr. Oliver H. Smith, of Muncie, Ind., was an intimate friend and associate of Mr. Perry S. Heath, and it was necessary to do something for him. The First Assistant Postmaster-General, salary and allowance division (A. D. Nov. 20, 1897), wrote as follows to the Washington office:

"I have this day allowed you \$600 per annum to provide for the appointment of Oliver H. Smith as a laborer at the several stations connected with your office. Mr. Smith will act in a dual capacity, serving both clerks and carriers. The free-delivery division will also make an allowance of \$2 per day to cover car fares and incidental expenses for Mr. Smith, who is, I believe, to report to you on the morning of the 23d instant. This is the gentleman whose appointment has been frequently recommended by you."

This last sentence was a piece of pleasantry on the part of Mr. Heath, and an evidence of his dry humor. He used the expression "at your request" or "in accordance with your recommendation" in connection with many appointments concerning which the postmaster was entirely ignorant, and for whose services, if he received them at all, he had no use or need. December 15, 1897, free-delivery service (4270 L.), General Heath wrote:

"Mr. Oliver H. Smith has been detailed to assist in repairing, painting, and erecting street letter boxes. He will be paid through your office at the rate of \$2 per day for every working day, commencing November 23."

It will be noticed that Mr. Smith's pay as mechanic on street letter boxes was dated back to include also the date of his reporting for duty as a laborer at the station.

In the "Confidential report" of Inspector in Charge Smith he makes substantially the same statements, and adds:

It appears from the records in the cashier's room of the Washington, D. C., post-office that, acting upon the authorization above cited, this man drew pay from November 23, 1897, to November 30, 1898, as follows:

First. The sum of \$600 from the appropriation for clerk hire (although appointed as laborer).

Second. Two dollars per diem for every working day on the mechanics' roll.

Third. Was paid an average of \$7.50 per month for car fare during the entire time.

Fourth. Was also granted in addition to all this, two separate items for expenses at Camp Alger—one \$15.60, the other \$12.

Showing, approximately, that his compensation for one year was \$1,349.60.

No one has certified to the actual time Mr. Smith was employed during the year, nor has any statement been attached to his pay vouchers showing what particular services he rendered in return for his compensation. *This party was continued in the dual capacity of clerk and mechanic until April 1, 1899, when he was promoted to finance clerk, at \$1,700 per annum.* By what authority of law his original appointment or subsequent promotion was made I do not know.

In a letter of June 12, 1903, from John R. Procter, president of the Civil Service Commission, in which many irregularities and violations of civil-service rules are mentioned as existing at the date of that letter in the post-office at Washington City, he instances one of them, described as follows:

Mr. Oliver H. Smith, now on the rolls of the office under the designation of finance clerk, is engaged mainly in the supervision of the laboring force and has never been regularly and actually assigned to act as auditor, such assignment being one of the conditions necessary to the exception of the position of finance clerk from the requirement of examination. It appears that Mr. Smith should be actually assigned to the duties of auditor or be separated from the service.

The rule bearing on the subject is as follows:

One finance clerk, if authorized by law and regularly and actually assigned to act as auditor, at each post-office where the receipts for the preceding fiscal year amounted to as much as \$350,000.

The "explanations" furnished by Mr. Beavers to Postmaster-General Smith say of Oliver H. Smith:

The records of the free-delivery division show that Mr. Smith was paid at the rate of \$2 per day for his employment during a part of the day in the painting, repairing, and erecting of street letter boxes, and the performance of such other work as he might be called upon to perform. The payment of Mr. Smith from two branches of the service was not deemed irregular, as the Department was of the opinion that any employee receiving \$2,500 or less could be paid compensation on two different rolls. Section 53, P. L. and R., edition of 1893, reads: "No person who holds an office the salary or annual compensation to which amounts to the sum of \$2,500 shall receive compensation for discharging the duties of any other office, unless expressly authorized by law (R. S. P., 1763)." As soon as the Comptroller of the Treasury called the Department's attention to this technical irregularity, it was discontinued.

The Comptroller's view of what Mr. Beavers calls "this technical irregularity" was expressed as follows:

I can not afford on my own motion to disallow accounts that have been authorized and paid by persons who must necessarily know whether the services are performed or not, on doubtful facts or doubtful questions of law.

But I have little or no doubts as to the facts that the payments therein made to Oliver Smith and Robert V. Willett are unauthorized and improper and should be disallowed on this revision. I understand these two persons were clerks in the post-office covering this exact period of time, performing their duties as such at Camp Alger, and were paid as such clerks for this exact period of time. There is no pretense that they were holding these two separate places by appointment.

Robert V. Willett was a son of the late James P. Willett, then postmaster at Washington.

There seems to be no room for doubt that the original employment of O. H. Smith in a "dual capacity" and his payment of two or more salaries was altogether illegal, and that this proceeding was terminated only by his unlawful appointment to another position, which, apparently, he holds without color of right to-day.

#### IX. IMPROPER DISBURSEMENTS OF PUBLIC FUNDS AS AFFECTING THE AUDITOR AND COMPTROLLER.

To permit expenditures irregular in *form* is, as we have said, in our judgment a comparatively venial fault in *administrative* officers. We regard it as much more culpable in *fiscal* officers. For the former a proper system of checks and balances to control expenses is essentially a means of preventing them from doing wrong; when conscious of good intentions they may be pardoned if they look upon its rules with some impatience and evade these when they are allowed; for the latter the

strict maintenance of such a system is the sole reason for their own official existence; they must be vigilant as to small faults or their remissness will encourage those they watch to commit greater. In Mr. Tulloch's letter of May 15 he describes a controversy he had with Mr. Perry S. Heath and a clerk in the latter's office about the payment of a voucher, irregular in form, for traveling expenses, and goes on to say:

I continued to refuse to pay the voucher unless I was assured by the Auditor for the Post-Office Department it would be taken off my hands. He, knowing I was right, was not willing to give me any other directions in writing, but sent word through the postmaster that on account of the feeling shown in the matter, if I would simply inclose the voucher in my next account its informality would be overlooked. I believe, however, he required it to be sworn to.

Thus early I incurred the enmity of the office of the First Assistant Postmaster-General, and perhaps had the Auditor promptly and properly sustained me other irregularities would not have been so boldly attempted, nor the office of the Auditor been placed in the position where it was compelled to overlook many things which followed. An inspection of the accounts of the Washington office will show many similar subsequent payments of traveling and other expenses on account of departmental officials without the usual departmental checks.

The last statement is unquestionably verified by reference to Inspector in Charge Smith's "Confidential report," wherein he gives the following among other instances of similar laxity in supervision:

The following vouchers were authorized to be paid by the First Assistant Postmaster-General's Office, under dates as appear below:

1898.		
July 22.	Expenses of Perry S. Heath and George W. Beavers, incurred in visiting Philadelphia and New York on official business.....	\$87. 25
Aug. 10.	Expenses of George W. Beavers, official business at Newark, N. J. ....	8. 70
Sept. 30.	Expenses of George W. Beavers, traveling on official business.....	17. 75
Oct. 13.	Expenses of George W. Beavers, traveling on official business.....	42. 35
Dec. 19.	Expenses of George W. Beavers, on postal tubes and canceling machine.....	11. 00
1899.		
Feb. 10.	Expenses of George W. Beavers, New York.....	12. 80
Mar. 13.	Expenses of George W. Beavers, Massachusetts.....	17. 30
May 15.	Expenses of George W. Beavers, Philadelphia and Hartford.....	20. 15
Total, Beavers' expenses.....		217. 30
1898.		
May 16.	Expenses of G. D. Fisher (salary and allowance division) at Philadelphia, Scranton, and Wilkesbarre, Pa.....	30. 15
July 26.	Expenses of M. W. Louis and Blaine W. Taylor in traveling on official business.....	50. 15
Sept. 21.	Expenses of M. W. Louis and Blaine W. Taylor in traveling on official business.....	34. 75
Mar. 31.	Expenses of M. W. Louis (supply division), Brooklyn, N. Y.....	23. 15
Oct. 20.	Expenses of James A. Sullivan, employed on first and second class offices.....	54. 07
Oct. 21.	Expenses of Force & Co. for numbering machines, salary and allowance division.....	4. 75
Nov. 3.	Expenses of G. A. Flad, transportation from Washington, D. C., to Cleveland, Ohio, and return (safe and lock expert).....	34. 40
Nov. 3.	Expenses of A. S. Riddle for inspection of post-office safes, Cleveland, Ohio.....	10. 25

These vouchers of expense do not appear to be itemized in a proper manner, nor is the necessity for the expenditure of this money by the Washington City post-office apparent. A full and complete explanation should be made, especially as many of the parties drawing money on these accounts are officials or clerks receiving salary from the Post-Office Department.

How imperfectly itemized were some of the vouchers accepted as sufficient by the Auditor can be best illustrated by the insertion of one in full. It is as follows:

JUNE 1, 1898.

Statement of expenses of Mr. George W. Beavers, chief division of salaries and allowances, Post-Office Department, including sleeping car, meals, portage, carriage hire, hotel, street car, telegraph, and other expenses at New York, N. Y., St. Louis, Mo., Nashville, Tenn., New Orleans, La., El Paso, Tex., Las Vegas, N. Mex., Colorado Springs, Colo., Los Angeles, Cal., San Francisco, Cal., Tacoma, Wash., Anaconda, Mont., Butte, Mont., St. Paul, Minn., and Chicago, Ill., from April 21 to June 1, 1898, inclusive, while on official business in connection with first and second class post-offices.. \$324. 73

Received payment of James P. Willett, postmaster, Washington, D. C.

G. W. BEAVERS,  
*Chief Salary and Allowance Division.*

Authorized by First Assistant Postmaster-General.

JUNE 1, 1898.

I certify that the sum above mentioned was expended by me in the manner above described when on official business.

G. W. BEAVERS,  
*Chief Salary and Allowance Division.*

Subscribed and sworn to before me this 1st day of June, 1898.

THOS. E. ROACH, *Notary Public.*

Received payment.

G. W. BEAVERS,  
*Chief Salary and Allowance Division.*

We might give further illustrations of the Auditor's apparent readiness to disregard the usual safeguards against unauthorized expenditures, but this is needless because the same, in our judgment, regrettable disposition was shown in matters far more serious. We have already seen that he not only passed the accounts for the "cleaners" or "charwomen" and of the "assistants" in passing on overtime claims, the scene and character of whose services the inspectors could not find out from the postmaster or anyone else (as to these it is possible, although hardly probable, that he may have been misled), but actually allowed Mr. Beavers the illegal and fraudulent claim for "expenses," which, as Mr. Castle's own memorandum says, "really constituted salary," the salary of an office which Beavers did not and could not legally hold, and which no one, not even the President, could have promised him so as to bind the United States, either legally or morally to keep the promise, for the extraordinary reason that, in the words of the "memorandum:"

The disallowance of these vouchers would result in a breach of faith on the part of the Post-Office Department, and the Auditor's office, which apparently acquiesced in the arrangement and consummated, and they are, therefore, hereby allowed.

In these words the Auditor seemed to us to admit his own prior "acquiescence" in "the arrangement as consummated," an arrangement not only unlawful in itself, but which, as we understood it, could be "consummated" only through willful misstatement of facts—misstatements made, moreover, in all probability, under oath. We will give later his explanation.

He goes on to say, in the memorandum:

These allowances are further justified by \* \* \* the further fact that the irregular payments were promptly discontinued upon attention having been directed

to them. It being the manifest disposition of the Comptroller in the revision of such accounts to "reform and not punish," it is felt that the action herein taken is entirely proper, the future being guaranteed.

For substantially the same reasons other similarly irregular vouchers in this account will be passed, the irregular practice having been discontinued.

Why, if these "irregular payments" had been proper in the past, it should become a merit to discontinue them as soon as they were discovered, and indeed why, if the money was ever justly due Mr. Beavers by the United States, the "practice" of paying him was "irregular" at all, it is not easy to see. As a commentary upon what Mr. Castle here says with respect to "the future being guaranteed," we may quote another passage in Inspector Crowell's report and a second "memorandum" of the Auditor.

The inspector says:

When the settlement of New York, N. Y., for the second quarter of 1899 was made, it appears that the matter was again called to the attention of Auditor Castle, as filed in said account we find a memorandum bearing the initials D. A. D., which reads as follows:

"New York, N. Y., personal claim allowed, conditions being same as on similar claims in 1899. See his memorandum filed therein, dated August 15, 1899."

We considered that fairness and courtesy required us to call this matter to Mr. Castle's attention. The following is his explanation:

The vouchers for the payment to Mr. Beavers for six (6) months from July 1, 1898, to December 31, 1898, came in with the account of the postmaster of New York for the quarter ended December 31. Mr. Benton, an old and trusted clerk in the book-keeping division, in charge of the New York account, accepted these vouchers as a legitimate charge against the miscellaneous appropriation for free-delivery service, from which similar expenditures had been made for per diem of persons engaged in investigating carriers' overtime claims for five or six years. He had no means of knowing, and did not know, that George W. Beavers was an employee of the Department, and in the absence of that knowledge there was no reason to question the legality of the vouchers. Payments of such accounts through city post-offices were from an accounting standpoint undesirable, since they were thus paid long before audit, and could not have that careful scrutiny given to accounts paid by warrant through our pay division. I had protested against the practice verbally and in writing months before, and its frequency had been greatly reduced thereby; but such vouchers occasionally came in approved by the Postmaster-General and we had no discretion as to passing them on that account, if otherwise sufficient.

When similar vouchers signed by Mr. Beavers came in with the account of the postmaster of New York for the quarter ended March 31, 1899, they were again accepted by Mr. Benton, but were accidentally seen by a fellow clerk, who happened to know who Mr. Beavers was, and Mr. Benton, warned by him, at once took the case to his chief of division. It was thus for the first time brought to my attention in May, 1899.

I immediately caused a letter to be written to the postmaster at New York suspending the account and calling on him for explanations. I also went personally to Postmaster-General Charles Emory Smith, showed him the questionable character of the disbursement, upon which he promptly terminated the arrangement and ordered that no more per diem be paid to Mr. Beavers.

The postmaster at New York referred my letter to the First Assistant Postmaster-General, requesting him to make to our office the explanations required. Mr. Perry S. Heath, First Assistant Postmaster-General, and Mr. George M. Allen, acting part of the time in that capacity, had several interviews with me on the subject while it was under consideration. They both stated to me the facts set forth in my memorandum, that Mr. Beavers was promised this extra pay as an inducement to give up his position as post-office inspector and accept that of chief of the salary and allowance division, which they desired him to assume.

Whether they told me that Postmaster-General Smith knew of this arrangement and approved it I can not positively say, nor do I recall whether General Smith, in my interviews with him, did or did not state that he knew of the original arrangement.

The meaning of the statement in the memorandum "that the Auditor's office apparently originally acquiesced in the arrangement as consummated," was that the

clerk in the Auditor's office, having passed the first vouchers without question, the postmaster at New York had that much right to assume that this office "acquiesced." It did not mean that either the Auditor or chief of division really did acquiesce, for neither of them knew anything about it until months afterwards. Nor did the book-keeper, Mr. Benton, really acquiesce, because, as stated, he knew nothing about Mr. Beavers' status in the Department.

Mr. Castle explains further that he "imputes no dereliction" to Mr. Benton in describing his acceptance of the first voucher as the cause of the supposed erroneous impression on the part of both the Department and the New York postmaster to the effect that the Auditor "acquiesced" in Mr. Beavers' receiving additional compensation under the name of "expenses."

It seems to us that this question is altogether immaterial. We find it impossible to doubt that Mr. Heath, Mr. Van Cott, and Mr. Beavers himself all knew the payment of this additional compensation was expressly forbidden by the act of 1894 above quoted, and that it was called "expenses" to evade this prohibition. Knowing so much, they knew their acts were illegal and wrongful, and whether the Auditor should or should not become a party to their official misconduct was a matter affecting him, but not them. He ought to have disallowed the first payment, but his failure to do his duty in this respect could in no conceivable way justify either their repetition of the misconduct or his condonation of this second offense. If a policeman be asleep on his post while a ruffian assaults A, it is surely none the less his duty to arrest the ruffian when he awakens to see him assault B.

Mr. Castle's remark that "the manifest disposition of the Comptroller in the revision of such accounts was to reform and not to punish" was verified by his course when his expert, Mr. Gilmer, brought to light some of the "irregularities" to which our attention has been directed. The latter, as already stated, on April 26, 1899, returned a report on a revision made by him for the Comptroller of the account of Jame P. Willett, postmaster at Washington, D. C., covering the period from July 1 to September 30, 1898, which had been already settled by the Auditor of the Post-office Department, advising that items in said account to an aggregate amount of over \$125,000 be disallowed.

Much the greater part of these suggested disallowances were indeed for irregularities in the vouchers, but a large portion of the residue was for expenditures plainly made without authority of law.

This report of revision was sent to Postmaster Willett for such explanations as he might desire to have considered. It appears from a letter of August 30, 1899, from the Comptroller to Mr. Gilmer, that there were "written explanations supplemented by the oral explanation of the First Assistant Postmaster-General," as to certain of these items. We have not been furnished with any statement as to these "oral" explanations and are without information regarding them.

In this letter of August 30 the Comptroller states his reasons for overruling Mr. Gilmer as to most of the items recommended to be disallowed in his report, but on August 31 he notified Postmaster Willett that certain items in the account which had been allowed by the Auditor were, upon the revision by the Comptroller, disallowed by him. As above explained the aggregate amount disallowed was finally reduced to \$892.36.



What is said in his letter of August 30 about the so-called "cleaners" is significant as to his attitude of mind. His words are:

Relative to the vouchers of William Warren, Fannie R. Winans, Laura E. Nevitt, Emma Janes, and Fannie L. Jeffrey, I am of opinion that they should be disallowed as miscellaneous expenses, but I see no valid reason why they should not be allowed under an appropriate appropriation, if there be such. If not, then they should be disallowed. The affidavits accompanying these vouchers, sent on our call, are not as full as they might have been. *If they performed all duties assigned them by their superiors, I think this sufficient. They are no more subject to my catechism than you or I would be if someone should seek to dispute our pay roll.*

The closing comparison is not very clear, but, as we understand the duties and powers of the Comptroller, everyone presenting a claim against the United States is "subject to his catechism" to the extent necessary to determine its legal validity. In the marginal memoranda made by Mr. Gilmer, besides the legal objection to this item which the Comptroller (seemingly with reluctance) sustained, the expert says as to the "cleaners:"

Also practically no service; affidavits of Winans, Janes, and Jeffrey evasive.

It does not appear just what these affidavits contained, but the Comptroller evidently thought his expert somewhat hypercritical; if the women were willing to swear that "they performed all the duties assigned them by their superiors" he should "think this sufficient." Now we know from her own admission to the Postmaster-General that Fannie Winans drew pay for *eleven months* while performing no duties whatever; we are told by Inspector Smith that none of their "superiors" could tell him what duties any one of these women performed, and, if Mr. Tulloch is to be believed and was correctly informed, most, if not all, of them were employed to perform absolutely no duty but draw their pay. Obviously, if this is true, they could, even if more scrupulous as to their oaths than it is altogether reasonable to believe them, swear with a clear conscience "that," in doing nothing, "they performed all duties assigned them by their superiors" who "assigned" them none, except to sign individual pay rolls; but if the Comptroller's office is powerless to protect the Treasury from claims so transparently fraudulent, its value must be deemed rather seriously problematical.

(N. B.—It is to be of course remembered that the conclusions and recommendation affecting the Comptroller and Auditor are not based *only* on the facts mentioned under *this* head of the report. These are but significant illustrations of many brought to light by the investigation and mentioned more or less fully under other heads.)

#### X. THE TREATMENT OF MR. T. W. GILMER.

In our opinion this constitutes one of the most serious and significant features of the situation developed by the papers laid before us.

On September 19, 1899, the following letter of instruction was written by the Comptroller to Mr. Gilmer:

TREASURY DEPARTMENT,  
OFFICE OF COMPTROLLER OF TREASURY,  
Washington, D. C., September 19, 1899.

MR. GILMER: You may take up for examination any postmaster account for fiscal years 1898 and 1899 except New York City and Washington City, D. C.

R. J. TRACEWELL, Comptroller.

The attention of the Comptroller was directed to this letter of instruction by letter from Postmaster-General May 19, 1903, and in his reply of May 22 the Comptroller explained it as follows:

The letter is in Mr. Gilmer's own handwriting. He prepared it without suggestion from me and asked me to sign it. \* \* \* Mr. Gilmer had gone over the work of the Washington post-office for one whole quarter and had spent four months thereon. No fraud was discovered. Some irregularities had been discovered and corrected. Some claims had been paid from the wrong appropriation, but they had been paid and audited, and under such circumstances, when the amount is small, I do not ordinarily disallow, as it would necessitate its being covered back into the Treasury and again paid and audited from the correct fund. I do, however, correct the practice. This I did in this instance. \* \* \* The post-office business of all the army camps in the United States and the island of Porto Rico was done through the Washington office; the post-office business of Cuba was done through the New York office; the post-office business of the Philippine Islands was done through the San Francisco office, and I did not think it strange when Mr. Gilmer presented the letter excepting these offices from further examination. I knew, as did Mr. Gilmer, that the Auditor for the Post-Office Department was in daily need of the files and was objecting to their being taken away.

We had had several conferences, in which the Auditor asked that I conduct the examination in his office. This I declined to do, believing it would be bad practice and a bad precedent. Therefore the letter did not arouse any suspicion nor did I then suppose it was obtained for improper purposes. Mr. Gilmer, however, did not have it copied in my office, and when he left he took it with him, and took with him also the original working draft of the demands upon the postmaster for explanations. After Mr. Tulloch published his statement I discovered the abstractions and asked Mr. Gilmer for them. He brought them to my office, and when asked why he had taken them away and given them to Mr. Tulloch he broke down, and in tears told me that he blamed me for his removal from my office. His removal was not at my instance. I even interceded for his retention in the service, though I did not ask that he be retained in my office. I knew that he was objectionable to the Department of Justice, the Post-Office Department, the Interstate Commerce Commission, the appointment division of the Treasury Department, and to the auditor's office for the District of Columbia. I was willing to get rid of him personally, but in view of his ability as a clerk I recommended that he be retained in the service at a desk where he could not make himself obnoxious.

About three weeks previously the Comptroller, in another letter dated May 2, 1903, to the Postmaster-General, had said:

The said expert accountant, Thomas W. Gilmer, was not removed, but was detailed by the Secretary of the Treasury from my office to the office of the Auditor for the State and other Departments on or about the 18th day of September, 1899, where he has been since employed. This detail, in so far as I was advised at the time by Mr. Vanderlip, Assistant Secretary of the Treasury and chief of the committee on personnel of the Treasury, was because of reports that had come to him of several instances wherein it was charged that Mr. Gilmer had been impolite and offensive to other Government officials in the discharge of his duties as an expert accountant for my office. Charges of this nature were made to me by the Attorney-General and the First Assistant Postmaster-General, and, as I understand, he had some minor matters of difference with the appointment division of the Treasury. None of these officials filed with me any written charges against Mr. Gilmer. I assume they reported them to Mr. Vanderlip. In fact, Mr. Vanderlip said that the First Assistant Postmaster-General had complained of Mr. Gilmer. Mr. Gilmer was a most competent, painstaking, and industrious clerk. In my office he displayed none of his traits of character of which these complaints were made.

And in an interview published in the "Washington Post" of Sunday, May 3, 1903, Mr. Tracewell is reported to have said:

No written charges or complaints were ever filed against Mr. Gilmer and none is on file. Mr. Perry Heath, who visited me regarding Mr. Gilmer, *was unwilling to file any written charges.* I confess I was surprised to hear from Mr. Heath and the other gentlemen I mentioned yesterday the statements that Mr. Gilmer was annoying in the ways he asked for papers affecting Government accounts. *His conduct in my office had always been exemplary.*

In a letter dated May 18, 1903, addressed to the Postmaster-General, Mr. F. A. Vanderlip, the Assistant Secretary of the Treasury, referred to by the Comptroller, said:

My best recollection is that Mr. Gilmer was transferred and reduced at his own request. I had previously detailed him, however, from the position of law expert in the office of the Comptroller, and assigned him to duty as a clerk in the office of the Auditor for the State and other Departments, where he had previously served. My reasons for thus detailing him were the result of much complaint from various sources as to his annoying methods of conducting examinations ordered by the Comptroller. He was reported to me to be insolent, and would insist upon withdrawing papers from the files without leaving receipts therefor. Mr. Lawshe, at that time Deputy Auditor for the Post-Office Department and now Auditor for the Philippines, made such complaint. The Department of Justice did likewise. Mr. Gilmer possessed some very excellent qualifications as a clerk and accountant, but was factless and not temperamentally fit for the position of law expert and examiner. Looking back at the matter now, I think he so realized himself, and based a request for transfer upon that ground.

Mr. Perry S. Heath, in his letter to the Postmaster-General, dated May 25, 1903, and already cited, wrote in reference to Mr. Gilmer as follows:

Complaints were made to me by clerks in the Post-Office Department or the office of the Auditor for the Treasury that an employee of the latter, named Gilmer, frequently entered their rooms and in a surly, offensive, and peremptory manner demanded records and carried them away without leaving any receipt, or simply helped himself, and when receipt was requested snubbed the clerk making the request. I was asked by our clerks to request and did request of Treasury officials that Gilmer be instructed to act like a gentleman and to protect clerks in the Post-Office Department by leaving receipts for all records taken by him from the Department. A displaced document would naturally subject the responsible clerk to censure, if not, indeed, a charge of dishonesty. What purpose Gilmer had in carrying these records from the Department I do not pretend to say. This incident had no connection with Gilmer's work as auditor.

In a letter dated May 19, 1903, the Postmaster-General repeated to Hon. John W. Griggs, who was the Attorney-General referred to in the foregoing extract, substantially the statements made by Mr. Vanderlip, and added:

It is said that you asked the Comptroller personally to relieve the Attorney-General's office of Mr. Gilmer's presence. If you can give me any light on this subject I would be glad if you would do so.

In his reply, dated May 22, Mr. Griggs said:

I think, but I am not quite sure, that I identify him as one of the clerks in the Comptroller's office of whom I was forced to make complaint because of his excessive troublesomeness in raising petty and frivolous objections to the accounts of the Department of Justice. The man I have in mind, if it was Gilmer, had manifested a very unreasonable and disagreeable prejudice against the officers of my accounting division, and made himself busy in raising trivial objections on legal grounds to the accounts of my department, so that at one time the monthly pay of about one-third of my Washington force was threatened with a hold-up, and this upon a point which had practically been disposed of for fifteen or sixteen years. I complained to the Comptroller that it was impossible to get along if the accounts of the Department were to be subjected to malicious objections merely to gratify personal spite of one of his subordinates, and I think it was considered for the good of the service that Mr. Gilmer should be transferred to some other position, where he would not make so much unnecessary trouble. There never was any question of personal dishonesty in the matter, nor did any of the accounts of the Department of Justice which he held up involve even in his mind anything more than the most forced technical objections on language of appropriation acts, and in every instance it was my opinion, as well as the opinion of the Comptroller, on subsequent examinations, that his objections were not well taken. This is the best information I can give you on the subject, and, as I said before, I am not certain that the objectionable man was Mr. Gilmer.

By letter dated May 19, 1903, the Postmaster-General inclosed to Henry A. Castle, Auditor of the Post-Office Department, Mr. Tulloch's letter, and requested from him—

such a statement concerning the matters referred to as will throw any light upon this subject, and enable us to determine whether any wrongdoing transpired in connection with these accounts, and if so, what?

In his reply, dated May 22, 1903, Mr. Castle had this to say with reference to Mr. Gilmer:

Some months after one of the quarterly accounts of the Washington post-office, reporting \$255,996.02 in expenditures for all purposes, with several thousand distinct items, had been settled, Mr. T. W. Gilmer, representing the Comptroller of the Treasury, withdrew the same for revision, as authorized by law. He was new to postal work, and raised many entirely irrelevant questions in the letter of April 26, 1899, asking for "explanations" (which Mr. Tulloch erroneously cites as a "letter from the Comptroller disallowing" certain amounts). He had, however, and advantage we did not have, in copious hints from Mr. Tulloch, a former cashier of the Washington post-office, as to various supposed irregularities, unknown to us. The expert consumed four months in revising this account, during which period all the voluminous papers constantly needed by us were held in the Comptroller's office at the Treasury building, to our serious inconvenience.

The foregoing extracts embrace all the information furnished by the papers placed in our hands as to the causes of Mr. Gilmer's detail from the office of the Comptroller of the Treasury and consequent reduction in grade and salary. Many inconsistencies and discrepancies appear in them.

Mr. Tracewell says that Mr. Gilmer was detailed from his office "on or about the 18th day of September, 1899;" yet the letter from Mr. Tracewell to Mr. Gilmer, directing him to not take up for examination the postmaster's accounts for New York, city of Washington, bears date September 19, 1899.

Mr. Tracewell assigns as his reason for excepting the Washington post-office from further examination, that Mr. Gilmer had gone over the work of the Washington post-office and had spent four months thereon, that no fraud was discovered, that the post-office business of all the army camps in the United States and the island of Porto Rico was done through the Washington office, and for that reason "he did not think it strange when Mr. Gilmer presented the letter excepting this office from further examination."

We are not favorably impressed with the adequacy of this explanation. Whatever may have been Mr. Gilmer's labor in the past, and however intricate and enlarged was the business of the Washington post-office, we are unable to see in these facts any reason for its exemption from continued examination. We think the reason would have been the other way.

While Mr. Heath and Mr. Vanderlip found in the rudeness, offensive manner, and discourteous conduct of Mr. Gilmer grounds which induced the one to complain and the other to act upon such complaint by removing Mr. Gilmer from his position, it will be observed that neither Mr. Griggs nor Mr. Castle assign any such grounds for their complaints, and Mr. Tracewell himself has attested that "Mr. Gilmer was a most competent, painstaking, and industrious clerk. In my office he displayed none of the traits of character of which these complaints were made" and again, he says: "His conduct in my office had always been exemplary."

It can not be overlooked that no such complaint as those made by

Mr. Heath and Mr. Vanderlip had ever been made by anyone of Mr. Gilmer prior to his revision of the postmaster's account in April, 1899; and no individual is referred to by name who had personally experienced the offensive conduct here complained of.

We have reached the conclusion, and report as our belief, that it was not the manner of Mr. Gilmer, but the unsparing thoroughness with which he discharged his duty in the revision of the accounts of the Washington post office that led to his punishment, and more especially to his withdrawal from such work.

This conclusion is not founded upon any information furnished by Mr. Gilmer himself, but we deem it proper to give here his own version of the transaction, contained in a letter written by him to us, in reply to one wherein we asked him for such a statement. He says:

On September 20, 1899, I was "detailed for duty in office of the Auditor for the State and other Departments for a period of one hundred and twenty days unless otherwise sooner directed." The letter informing me as to this detail contained the above statement and was signed by F. A. Vanderlip, Assistant Secretary of the Treasury.

No written charges were made against me.

Oral statements were made to the effect that I was not diplomatic in dealing with people with whom I had business. This charge was to indefinite to admit of specific answer.

I was as polite and courteous as anyone could have been under the circumstances. I never used improper language even when goaded by the abusive language of others. I knew that I would be removed from office if I should get into an altercation. Therefore I endured treatment which in private life would have caused an altercation. I did not make myself obnoxious. The truth is that the performance of my duty was obnoxious to some people. It was the investigation itself that was obnoxious, rather than the manner in which the investigation was conducted.

There was much opposition to the revision of postal accounts. In this connection several visits were made to the Treasury Department by Machen, Beavers, and other interested persons.

The charge that I did not leave receipts for accounts is untrue. I never obtained an account or a paper without proper authority, nor did I ever fail to leave receipts for accounts and papers. This charge was oral and indefinite, and was not made until recently. I knew nothing of this charge in 1899.

A. L. Lawshe (at that time Deputy Auditor for the Post-Office Department) opposed my revision of any postal accounts, but I always had proper authority for taking accounts from the files.

After examining the account of the Washington (D. C.) post-office for the quarter ended September 30, 1898, I obtained from the files (on a regularly signed file order) the account of the Washington City post-office for the quarter ended December 31, 1898. Many irregularities and some frauds having been found in the account already examined, I desired to continue the examination of succeeding quarters.

While the account for the quarter ended December 31, 1898, was on my desk, Mr. Lawshe came to the office (in the absence of Comptroller Tracewell) and angrily demanded the return of the account, saying that Comptroller Tracewell had promised not to examine any more of those accounts. Mr. Lawshe carried the account back with him. When Mr. Tracewell returned he orally ordered me not to examine any more accounts of the Washington City post-office; also not to examine the accounts of the New York City post-office. For my own protection I wrote out the substance of said oral order and had it signed by Mr. Tracewell. I did not ask to have any accounts excepted from examination, as seems to be intimated by Mr. Tracewell in his letter of May 22, 1903.

\* \* \* \* \*

When I was sent on detail from the Comptroller's office I was told that it would be best for me to make a written application for a permanent transfer. Knowing that I had some influential enemies, I made such application under date of September 23, 1899. Said application contained the following statement: "Owing to the peculiar nature of the duties pertaining to the position of expert accountant, I now respectfully request a transfer and an assignment to another field of duty."

\* \* \* \* \*

I took the order prohibiting me from examining Washington and New York post-office accounts because the order was addressed to me and was for my protection.

The "original working draft," referred to by Mr. Tracewell, was not an official paper. It was the rough draft of a letter prepared for the typewriter. The rough draft was not signed. After the typewritten letter was signed and press copied, the rough draft was of no use and might have been destroyed. Ordinarily such a paper would be thrown into the waste basket. Later the rough draft was attached to a note written in pencil by Mr. Tracewell and addressed to me.

I kept the rough draft because I had made some personal memoranda upon it. The press copy of the typewritten letter was kept in the Comptroller's letter book. I never showed the rough draft to anyone nor have I ever divulged its contents.

I told the Comptroller that I thought he might have prevented my reduction.

I did not give Mr. Tulloch the rough draft of said letter addressed to the postmaster at Washington, nor did I give him any information in regard to it. Mr. Tulloch had possession of the original letter while he was cashier of the post-office. Postmaster Willett gave the letter to Mr. Tulloch. I obtained information from Mr. Tulloch. He was better informed than I was as to postal affairs. It was not necessary for him to obtain information from me.

I voluntarily told Mr. Tracewell about my having the rough draft of the letter to postmaster, but I did not "break down" and tell him I had given it to Mr. Tulloch.

Mr. Tracewell says that I was "in tears." I do not know whether I shed any tears. I may have shown some emotion, for I felt that justice had not been done in my case.

I have never been actuated by malice in my examination of any accounts. Mr. Griggs doubtless got his information about me from a personal enemy, at that time in the Department of Justice. I am now on friendly terms with everyone with whom I have business in that Department.

The grievance of the Secretary of the Interstate Commerce Commission was against Mr. Tracewell rather than against me.

I examined many accounts of the District of Columbia.

I inclose herewith a letter from the District Commissioners showing that the District government has never made any complaint against me.

To show my standing in the Treasury Department, I will say that I recently served as a member of the committee on salary tables. I have frequently been employed on special work of unusual importance.

The letter inclosed is as follows:

EXECUTIVE OFFICE, COMMISSIONERS OF THE DISTRICT OF COLUMBIA,  
Washington, July 20, 1903.

MR. THOMAS W. GILMER,  
*Treasury Department.*

DEAR SIR: In response to your request of the 15th instant for information relative to any complaints, either written or oral, made against you during the past four years by the auditor's office of the District of Columbia while you were an expert accountant and special examiner for the Comptroller of the Treasury, the Commissioners direct me to inform you that there is not now, nor had there ever been in the files of the office of the District auditor or other branches of the District government, any paper that in terms or by implication, reflects injuriously upon you.

Very respectfully,

W. TINDALL, *Secretary.*

We may mention finally that appended to the letter of Mr. Tracewell to Mr. Gilmer, and on the same sheet is the following:

MR. CLEMENTS. In accordance with the above you will permit Mr. Gilmer to look at accounts in your division, with the exception noted.

Requests for removal of accounts from the Bureau should have the approval of the Auditor or the Acting Auditor.

Respectfully,

A. L. LAWSHE,  
*Acting Auditor.*

This evidently contemporary order tends, we think, to confirm Mr. Gilmer's statements that it was intended for him to retain the letter of Mr. Tracewell; which letter seems to us very plainly written, as he

says it was, for his own justification in ceasing his investigation into the accounts of the Washington post-office.

N. B.—It should be noted in this connection that the “four months” alleged to have been consumed in the investigation of the one quarterly account of the Washington post-office, i. e., the time from April 26 to August 31, 1899, was evidently taken up not by Mr. Gilmer’s work, for *that* was all completed *before* the Comptroller’s first letter to the postmaster, but by the visits of Messrs. Heath, Beavers, Machen, and others to the Comptroller and their “oral explanations.” Mr. Castle is also in error when he speaks of Mr. Gilmer as receiving “copious hints from Mr. Tulloch, a *former* cashier,” etc. Gilmer’s inquiry ended two months before Tulloch was removed.

#### XI. THE REMOVAL OF MR. TULLOCH.

In closing our review of the “Tulloch charges,” it may be appropriate to say a few words of the occurrence which caused the controversy, leading ultimately to their publication—that is to say, the removal of Mr. Seymour W. Tulloch from his position of cashier in the Washington post-office. As Mr. Tulloch’s office was an “excepted” one under the civil-service rules the propriety of this action on Postmaster Merritt’s part must be judged by the principle formulated by President Madison in saying:

Whatever may besaid of a technical legal power, no officer can have a right to remove a worthy public servant except for adequate public reasons, nor any right to forbear to remove an unworthy one, unless the removal would, for peculiar reasons, be at the moment a public detriment.

Mr. Tulloch gives as follows the correspondence immediately succeeding his removal:

When Mr. Merritt followed me to my room and removed me on the spot I requested him to notify me with regard to his action in writing, which he promised to do the next morning. On account of the alleged assertions of Mr. Merritt as given in the press it may be interesting and appropriate to give his statements at that time:

WASHINGTON, D. C., July 1, 1899.

SEYMOUR W. TULLOCH, *Cashier, etc.*

SIR: Deeming it for the best interests of my administration as postmaster at Washington, D. C., that there should be a change in the position of cashier, I have to inform you that you are hereby removed.

Very respectfully,

JOHN A. MERRITT, *Postmaster.*

WASHINGTON, D. C., July 1, 1899.

HON. JOHN A. MERRITT, *Postmaster, etc.*

SIR: I have to acknowledge the receipt of your letter of this date removing me from the position of cashier of the Washington City post-office. As this comes immediately upon the assumption of your position, and as I have occupied my position for almost twenty-one years without the loss of a single penny in the millions disbursed and with a record I believe to be proud of with the accounting officers of the Treasury, may I ask you if your very summary action is based upon any political reasons or charges affecting my integrity or my administration of the affairs of my office? An early answer will oblige.

Very respectfully,

SEYMOUR W. TULLOCH,  
*Cashier.*

WASHINGTON, D. C., July 1, 1899.

MR. SEYMOUR W. TULLOCH.

SIR: Replying to your favor of this date asking if your removal as cashier of Washington, D. C., post-office was on account of being "based upon any political reasons or charges affecting my integrity or my administration of the affairs of my office," I beg to advise you that it was not. I also beg to advise you that my reasons for your removal are quite fully stated in my letter of this a. m.

Very respectfully,

JOHN A. MERRITT,  
Postmaster.

Mr. Merritt states his reasons for the removal, however, more at length in his letter to the Postmaster-General of May 5 last. In that letter he says:

So far as relates to the cashier, the following statement in detail embodies the reasons for my decision:

My judgment of Mr. Tulloch was that he was an arbitrary man, of very noticeable self-esteem, and with such an exalted sense of his own importance and authority as to practically assume official equality with if not superiority to the postmaster.

Mr. Tulloch was engaged in much important private business, which brought about his not infrequent absence from duty, and which, even when he was present at the post-office, took up a great deal of his time.

I had reason to believe that Mr. Tulloch was a large investor in private business and a venturesome man in the field of speculation, or in undertakings wherein the element of uncertainty largely entered. As I was a Government officer about to take charge of a business that would require the handling of \$3,000,000 a year, more or less, for the security and proper disbursement of which I had given a heavy bond, I did not deem it advisable to retain him as my financial assistant. I preferred to select as my cashier a person of different pecuniary environment and of fewer business responsibilities.

Shortly after I was appointed postmaster, and before I had entered upon the duties of the office, I was approached by Mr. A. B. Bingham, then chief of the finance division of the Post-Office Department, who stated that Mr. Tulloch had gotten up the bonds of several of my predecessors, and was a surety upon at least one of them, and that therefore he would no doubt be glad to do the same for me. I may have done Mr. Tulloch an injustice in my interpretation of this incident, but I conceived the idea that he had prompted Mr. Bingham to make the proposition, and I resented it.

With respect to the last reason assigned, while we agree with Mr. Merritt in thinking that an offer by a subordinate to "get up" and himself act as surety upon the official bond of his superior would be of very doubtful propriety, it seems obvious that some inquiry as to the authority of Mr. Bingham to speak for Mr. Tulloch ought, as a matter of simple justice, to have preceded action on the assumption that he was thus authorized.

In connection with the other reasons it is but fair to Mr. Tulloch to mention Mr. Merritt's letter to Senator McComas, of Maryland, from which Mr. Tulloch quotes. It bears date July 22, 1899, three weeks after Mr. Tulloch's removal, and in it the postmaster says:

I am in receipt of your favor of the 19th instant relative to the position of cashier in this office and which place has heretofore been filled by Mr. Seymour W. Tulloch for many years. I note all you say with reference to the standing of Mr. Tulloch, both intellectually and politically, and I assure you that while I have no personal acquaintance with Mr. Tulloch, I am quite sure, from such general information as I have regarding him, that he merits all you say.

On the whole, we do not feel justified in saying, from the evidence placed in our hands, either that Mr. Merritt did not think as he says he did of Mr. Tulloch at the time of the latter's removal, or that, so thinking, he could not, reasonably and in good faith, believe the latter's removal advisable in the public interest, but no reason has been suggested to justify the harsh and precipitate *manner* of the removal. After twenty years' public service Mr. Tulloch might reasonably



expect more than five minutes' notice that his services were no longer desired. As a matter of mere courtesy it seems to us that an official of his experience and standing should, and, in the absence of any reason to the contrary, naturally would have been afforded the opportunity to tender his resignation if, as the postmaster says, he had been accused of nothing "affecting his integrity or the administration of his office."

That Mr. Merritt should treat with apparently studied indignity a man with whom he had, as he wrote Senator McComas, "no personal acquaintance," suggests the idea that he acted under some influence hostile to Mr. Tulloch; and his denial of the existence of any such influence can hardly, under all the circumstances, be accepted as decisive of the question. In short, it has not been *proved* that Mr. Tulloch was removed because, as he says, "Mr. Heath said he had made himself an obstacle," nor, as he intimates, that his removal was a condition of Mr. Merritt's recommendation for the postmastership; but the time and manner of his removal were so singular and apparently so significant that, standing as they do, altogether unexplained, they render such inferences neither unreasonable, nor, in our opinion, unfair to the officials concerned.

Since the first draft of this report was prepared we have been furnished with a copy of a letter from Postmaster Merritt to the Postmaster-General, dated September 1, 1903, and making very grave accusations against Mr. Tulloch. We propose, with the approval of the Department, to make these accusations the subject of a brief supplemental report. They modify in no respect the conclusions above announced; for, as Mr. Merritt was ignorant of the alleged facts when he removed Mr. Tulloch, these could not have affected his action. Doubtless, if what he now says be true, these facts may weaken Mr. Tulloch's credibility, but in no instance have we accepted the latter's statements as true unless they were, in our judgment, clearly and fully corroborated.

## XII. SUMMARY AND CONCLUSIONS.

As a result of our inquiry in the "Tulloch charges" and of the considerations hereinbefore set forth, we have the honor to report that, in our judgment—

First. The discussion of the "Tulloch charges" has revealed the existence of deplorable and gravely discreditable abuses during the years 1898, 1899, and 1900 in the Washington post-office and the office of the First Assistant Postmaster-General.

Second. These abuses involved conduct on the part of various public officials which was certainly often illegal and may have been sometimes criminal, but such offenses, if committed, were in all cases committed more than three years before we were ordered to investigate the "charges," and, so far as we are clearly informed, more than three years before Mr. Tulloch's interview of May 1 last.

Third. The evidence laid before us suggests the possibility and even probability, but does not prove that abuses may have continued both in the Department and in the post-office subsequently to the early summer of 1900, when we lose sight of them, and that in connection therewith criminal acts may have been committed within the period of limitations.

Fourth. The report of Inspector Crowell and the facts relating to

the claim of George W. Beavers, above set forth, indicate the possibility that similar conditions may have existed both within and beyond the period of limitations in the New York post-office.

Fifth. The persons *primarily* responsible for the above-mentioned abuses and the resulting scandals appear to have been Perry S. Heath, then First Assistant Postmaster-General, and George W. Beavers, then chief of the salaries and allowance division, neither of whom is now in the service of the United States.

Sixth. Charles Emory Smith, late Postmaster-General; James P. Willett, late postmaster of Washington, now deceased; John A. Merritt, his successor in the said office and its present incumbent; Robert J. Tracewell, Comptroller, and Henry A. Castle, Auditor for the Post-Office Department, all appear to have shared, in some measure, their responsibilities; the late Postmaster-General for his seeming failure, notwithstanding repeated warnings, to appreciate the gravity of their misconduct and the consequent necessity for its prompt and adequate punishment; the two postmasters for toleration of these abuses and obedience to plainly improper orders without exposure, or, apparently, protest, and the Auditor and Comptroller for acting upon lax and arbitrary principles in the administration of their respective offices whereby the payment of illegal and seemingly fraudulent claims by the Treasury was rendered possible.

Seventh. The employment of subordinates in post-offices about to become classified for the purpose of thus securing their admission without examination into the classified service was a practice *in fraudem legis*, and officials guilty of it thereby established their own unfitness for public employment.

Eighth. The employment of so-called "laborers" to do "classified" work was clearly illegal and, under the express directions of the civil-service rules, to be punished by dismissal from office.

Ninth. An agreement by any public officer with any person, whether in or out of the public service at the time, that the latter shall receive the emoluments of public employment under pretence of being employed without rendering any services to the Government, constitutes a conspiracy to defraud the United States, and, if followed by any overt act tending to its accomplishment by any of the parties, renders all of them responsible under the terms of the United States Revised Statutes, section 5440.

Tenth. The detail of Thomas W. Gilmer to different work of a lower grade and at a reduced compensation by F. A. Vanderlip, then Acting Secretary of the Treasury, under all the circumstances attending it, was apparently unjust and oppressive, and certainly disastrous to the public interest, since it would be generally and naturally understood by those cognizant of it as a punishment inflicted on a faithful public servant, who had, by the honest discharge of his duty, incurred the enmity of active and influential politicians. It seems to have been preceded by no sufficient inquiry on the part of Acting Secretary Vanderlip, and would render proper an investigation of the latter's conduct were he still in the public service.

Eleventh. While we express no opinion as to the propriety of Seymour W. Tulloch's removal from the office of cashier by Postmaster Merritt, the precipitancy and discourtesy shown by the latter in effecting this removal seem to have been without justification and tend to cast grave doubt upon the good faith of his explanations of the removal

itself, and his course was clearly regrettable in the public interest, as leading naturally to the belief that the cashier had been in fact removed for his failure to comply with irregular and even illegal demands upon the funds in his custody.

### XIII. RECOMMENDATIONS.

We very respectfully recommend—

1. That a thorough investigation be ordered, if it has not been already ordered (*a*) of the administration of the Washington post-office, (*b*) of the administration of the New York post-office, and (*c*) of the administration of the office of the First Assistant Postmaster-General within the past three years. It is probable that this recommendation has been already in great part and perhaps altogether anticipated by the action of the present Postmaster-General; but as we are not at the moment of preparing this report fully informed as to the scope of the departmental inquiry now for several months in progress under his orders we venture to submit it. We have been very favorably impressed by the zeal, fidelity, and intelligence of the post-office inspectors, and deem them fully competent, under the supervision of the Fourth Assistant Postmaster-General, to conduct such an investigation as is here suggested.

2. That a carefully chosen, small commission be appointed by the President to report a plan whereby the work of the offices of the Comptroller and of the several Auditors may be removed from all political, personal, or other extraneous influences, the officials therein employed protected from injury through the enmities they may incur in the discharge of their duties, and the competency and independence of all engaged in this branch of the Government secured through their selection by free competition, promotion for merit only, and assurance of tenure during the continuance of fidelity and efficiency on their own part.

All whereof is very respectfully submitted.

HOLMES CONRAD,  
CHARLES J. BONAPARTE,  
*Special Assistants to Attorney-General.*

*Letter of Postmaster-General Payne to the President relative to report of Messrs. Conrad and Bonaparte regarding so-called Tulloch charges.*

OCTOBER 19, 1903.

DEAR MR. PRESIDENT: Referring to the report of Messrs. Bonaparte and Conrad, special counsel, regarding the so-called "Tulloch charges," wherein they recommend that a thorough investigation be ordered, if it has not already been ordered, (a) of the administration of the Washington post-office, (b) of the administration of the New York post-office, and (c) of the administration of the office of the First Assistant Postmaster-General within the past three years. I beg to advise you that a thorough investigation has been ordered and is now nearly completed of the administration of the Washington post-office since the incumbency of General Merritt as postmaster, covering a period of nearly four years.

An investigation of the New York post-office was ordered several weeks since, but owing to the pressure of the general investigation the Department has not been able to spare from their present assignment the inspectors it desires to place in charge of this work. It is, however, expected that within a very few days the investigation of the New York office will be under way.

The administration of the office of the First Assistant Postmaster-General has been under investigation during the last eight months. It has been as thorough and complete as it was possible to make it. The report upon this investigation will be in your hands within a very short time.

You will observe from the above that investigation along the lines recommended by the special counsel had been anticipated by the Department.

Very truly, yours,

H. C. PAYNE,  
*Postmaster-General.*

The PRESIDENT, *Washington, D. C.*

*Copy of letter from Holmes Conrad, esq., to the President relative to report on Mr. Thomas W. Gilmer.*

WASHINGTON, D. C., October 9, 1903.

TO THE PRESIDENT:

I was reminded this morning that certain disallowances in the accounts of the disbursing agent of the Interstate Commerce Commission, which became the subject of a suit in the Court of Claims, in which I was the counsel for the disbursing agent, had been made by Mr. Thomas W. Gilmer, then a clerk in the office of the Comptroller; and then they had been adjudged to be groundless and were set aside, and the accounts of the agent were, in all respects, approved.

Inasmuch as Mr. Gilmer has been made the subject of a report to you, in which I concurred and in which there is no reference to any personal knowledge of him on my part, I have thought it due to you and to myself that I should disclose to you the extent of that knowledge, and to say that until this morning I had entirely forgotten that I had ever heard of Mr. Gilmer or of his work before meeting with his name in the investigation of these post-office matters.

Very truly and respectfully,

HOLMES CONRAD.

*Supplementary report in the matter of the Tulloch charges.*

## The ATTORNEY-GENERAL.

SIR: In the report as to the above matter hereinbefore submitted by us we said:

Since the first draft of this report was prepared we have been furnished with a copy of a letter from Postmaster Merritt to the Postmaster-General, dated September 1 last, and making very grave accusations against Mr. Tulloch. We propose, with the approval of the Department, to make these accusations the subject of a brief supplemental report. They modify in no respect the conclusions above announced; for, as Mr. Merritt was ignorant of the alleged facts when he removed Mr. Tulloch, these could not have affected his action. Doubtless, if what he now says be true, these facts greatly weaken Mr. Tulloch's credibility, but in no instance have we accepted the latter's statements as true unless they were, in our judgment, clearly and fully corroborated.

When the above-mentioned letter was placed in our hands Mr. Tulloch was absent from the United States. As soon as we were informed of his return, we furnished him with a copy of it, and, within a reasonable time, received an answer, of which we gave a copy to Mr. Merritt. On October 12, the latter presented a reply to Mr. Tulloch's letter. We do not think it necessary to obtain a rejoinder from Mr. Tulloch to the last-mentioned communication, and now submit, without further delay, the contemplated supplemental report.

In his letter of September 1, Mr. Merritt says that Mr. Tulloch was for many years at once cashier of the Washington post-office, and secretary of the United States Electric Light Company; this fact is admitted. Mr. Merritt says further that Mr. Tulloch, on behalf of the company, "presented periodically hundreds of bills for electric light furnished the post-office which, as cashier thereof, he has regularly audited and paid," adding, "whether these bills were right or wrong, nobody but he knew."

We think that very much the most serious feature of this charge is contained in the words last quoted; and that, to this extent, it is shown to be unfounded, for Mr. Tulloch's explanation and the documents filed with it establish that not only had he nothing to do with making out the bills in question, but their correctness was ascertained by reports of the conditions of the meters made to the postmaster by watchmen in the Government service and not under his control.

We agree with Mr. Merritt in his indorsement of the views of certain extracts from newspapers in the District, thus stated, in substance, by one of them:

It matters not how high the character or how rock-ribbed the integrity of an official may be, it is not fitting that he, as the agent of the people, should have any interest in contracts for work or commodities purchased for the constituency whom he is officially serving. This is not a new theory, but is venerable in years and wholesome in application.

We think that the several postmasters under whom Mr. Tulloch served, while he retained at once his connection with the electric light

company and the post-office, would have done well to suggest that he should relinquish one or the other, and that the advisability of so doing ought to have occurred to himself. The fact that he retained these two positions, however, without, so far as we are informed, any objection from his successive superiors, all of whom must have known it, constitutes, in our judgment, no sufficient ground to impeach his integrity or veracity, and we find in Mr. Merritt's second letter a disavowal of any such imputation.

It is fair to say that he produces a copy of a receipt bearing date December 31, 1883, and signed by Mr. Tulloch as "treasurer" of the electric light company for \$280.40, which appears to have been paid by Postmaster Conger. In saying, as he did, that these bills were always receipted by the collector of the company, Mr. Tulloch's memory would seem to have been at fault with respect to this single transaction, which, it must be added, occurred nearly twenty years ago.

Mr. Merritt's second charge is that Mr. Tulloch procured from the postmaster a contract for the electric light company whereby it was to furnish all the lighting, whether by electricity or gas, needed in the post-office and its branches, without regard to quantity, for the amount of the annual appropriation. After carefully reading the three letters and the statement of Mr. E. S. Marlow, the present treasurer of the company, who was present when the contract was negotiated between the postmaster and the general manager of the company and finally executed, we see no reason to believe that Mr. Tulloch had anything to do with procuring it or to question that the contract itself was a proper one for the postmaster to make and advantageous to the Government.

Mr. Merritt further accuses Mr. Tulloch of having compelled his assistant cashier to render gratuitously services to the Electric Light Company and used his office in the post-office building as a place for paying off the company's employees and transacting its business generally. This accusation is practically withdrawn in Mr. Merritt's second letter, after it had been satisfactorily disproved in Mr. Tulloch's answer and the statement of Mr. W. C. Woodward, who was for a number of years Mr. Tulloch's assistant. Its improbability seems to us so obvious that we think Mr. Merritt should have more fully informed himself as to the facts before making it.

It would seem, however, that Mr. Tulloch did sometimes discuss matters of business affecting the Electric Light Company while on duty as cashier of the post-office. It may be rather hypercritical to object to his doing this, since there is no allegation that he in any wise neglected his official duties, but the construction put upon this circumstance by Mr. Merritt sustains, we think, our view that Mr. Tulloch would have acted more discreetly had he relinquished one or the other of his two positions.

In his first letter Mr. Merritt alleges that Mr. Tulloch sometimes charged the cost of the electric lighting to the appropriation for "Miscellaneous expenses," adding:

I am at a loss to conjecture why this course was pursued, unless the proper appropriation was exhausted, and Mr. Tulloch's company had no other way of securing prompt payment.

In his second letter Mr. Merritt admits—

That in all these cases the electric current was used for "power" and not for illuminating purposes, and that therefore the charge to "Miscellaneous" was correct.

He says he "very greatly regrets" his "mistake," and we think it is a very suitable subject for regret on his part.

Mr. Merritt in his first letter alleges, in substance, that Mr. Tulloch was deprived of his position in the Electric Light Company because—

Certain acts of his and other officers of the company, said to have involved the disbursement of money, were not clearly understood by some of the stockholders, and a quiet and informal inquiry into the matter was begun. Mr. Tulloch, it is said, could or would give no satisfactory explanation.

This statement is emphatically denied in Mr. Tulloch's answer, and his denial is corroborated by Mr. Marlow. On the other hand, Mr. Merritt gives as his authority a Mr. Frank Hanvey, whom he quotes as repeating the statement, with the addition, that the dissatisfaction of the stockholders arose from the fact that "certain large expenditures were explained in no other way than that they were 'for the company's interest,' or in some such general terms." It appears, however, that Mr. Hanvey, according to Mr. Merritt, "not only made no attack on Mr. Tulloch's integrity, but, on the contrary, expressed a belief in his honesty," and Mr. Merritt himself says that he "meant no reflection on his honesty," and does not think that his language "can reasonably be so construed." We must differ from Mr. Merritt on the last point. We think that his language, "reasonably construed," would naturally lead to serious suspicions of Mr. Tulloch's integrity; and, as this was the only aspect of the incident which could render it, in any conceivable way, relevant to the subject-matter of our inquiry, we dismiss it with an expression of surprise and regret that such allusions should have been made with so little apparent warrant.

It is further alleged by Mr. Merritt that Mr. Tulloch befriended and promoted the defense of an employee of the post-office, whom he had long known, who was detected in purloining letters. Mr. Tulloch's explanation of this incident is satisfactory, and Mr. Merritt in his reply says that his criticism related only to the alleged fact that Mr. Tulloch impugned the integrity of three inspectors, who made the arrest, by professing belief in a statement of the accused to the effect that one of them must have placed in the pocket of his overcoat the stolen letter which was found there. We can not see that this matter has any relevancy; but it may be remarked that one of the inspectors whom Mr. Tulloch is supposed to have calumniated is the same Inspector William B. Smith whom ex-Postmaster-General Charles Emory Smith apparently believes to have acted in collusion with Mr. Tulloch in presenting the "Confidential report" on the Washington post-office mentioned in our original report.

Mr. Merritt repeats with greater particularity in both letters the statements as to signing pay rolls in blank, and what he calls an "arbitrary withholding of an employee's pay," contained in his previous letters to the Postmaster-General. We did not speak of these statements in our original report because we deemed them immaterial. We see no reason to believe that any employee was ever *compelled* to sign a pay roll in blank; that the practice of having them thus signed involved any appreciable danger of loss either to the Government or to the public servant; that Mr. Tulloch was in any wise especially responsible for the practice, or that he was responsible at all for the withholding of the man's pay. The facts of the latter incident are that the employee in question was absent, apparently without excuse, for some thirty days, and the postmaster deducted \$140.11 from his salary. This



money seems to have been paid out to various persons upon the order of the postmaster. Presumably they were substitutes who did the work the absent employee would have done had he been on duty. A trifling balance of \$7.66 is said to have been spent "according to orders given by the First Assistant Postmaster-General."

As already stated, we did not consider these matters of sufficient consequence to warrant their discussion in our original report, and we adhere to this opinion. It is almost too obvious to need mention that the presentation by the postmaster of pay rolls, originally signed in blank and afterwards filled up in accordance with the facts, as vouchers for his expenditures, could not constitute "the presentation of a false voucher" under the terms of United States Revised Statutes, section 5438. It would have been better, we think, if money paid to substitutes had been thus described in the vouchers instead of appearing to have been paid to the employee whose work these substitutes had done, but we can find nothing criminal or gravely reprehensible in the prevailing practice. This practice was irregular, and, as such, criticised by the Comptroller in the "revision," to which we have so often referred in our original report; and it was thereupon, very properly, discontinued by Mr. Merritt's order; but we can not see that its existence or observance by the cashier of the post-office can impugn in any way Mr. Tulloch's credibility.

Mr. Merritt's letters, however, seem to indicate the possible existence of a serious abuse in what he says on the subject of "slush money." We understand this to be the amount of fines imposed on employees for tardiness, or petty breaches of discipline, or loss of time when substitutes were not employed to do their work; and it would appear from all three of the letters submitted to us that the money thus collected was not returned to the Treasury, but, as Mr. Merritt states, "was divided up among several employees of the office, to be used according to their discretion—sometimes to pay temporary clerks taken on without authority; sometimes for one thing and sometimes for another." He says further:

None of this money was ever turned over to the Treasury, and no account of it seems to have been kept. Some \$70 or \$80 of it finally got into the hands of an outgoing officer, and, so far as I know, has never been restored.

There is nothing to show that Mr. Tulloch suggested, or was in any other way responsible for, this very objectionable practice; but we think it constituted an evident abuse, and reflects some measure of discredit on the administrations of the several postmasters who appear to have authorized or at least tolerated it.

We very respectfully report that, in our judgment, there is nothing in the correspondence above described and the documents transmitted therewith which requires us to modify any of the conclusions or recommendations of our original report.

We have been furnished with a copy of a letter from Mr. Charles Emory Smith, the late Postmaster-General, to the President, in which certain comments are made upon our original report. This letter has received our careful consideration, but we find nothing in it leading us to doubt the correctness of the conclusions announced in the original report. We therein mention that:

Our attention has been called likewise to published letters from Mr. Charles Emory Smith and Mr. John R. Procter to the Postmaster-General relating to the observance of the civil-service law and rules in the Post-Office Department and the Washington post-office during the incumbency of the former as Postmaster-General.

Mr. Smith's letter of July 14, 1903, to the Postmaster-General was therefore not overlooked by us, as he seems to suppose, when we stated that he "appears to have, at least, tolerated" the evasion of the civil-service law involved in employing subordinates in outlying post-offices immediately before their classification and, immediately after classification, transferring these employees to Washington.

Mr. Smith says that this practice "was stopped as soon as it was understood;" if his meaning be that *he* did not understand it until he stopped it, we think that, under the circumstances, he ought to have understood it sooner.

He says further that President McKinley did not see fit to amend the civil-service rules so as to prevent such transfers. Any discussion of the necessity or expediency of such an amendment would be beyond the scope of our instructions; if the President trusted to the Postmaster-General *alone* to prevent this abuse, we think the latter was the more clearly responsible for its continuance.

Mr. Smith's criticism on our conclusion that he shared in some measure the responsibility of Messrs. Heath and Beavers for the grave abuses brought to light through the discussion of the so-called "Tulloch charges," because of "a seeming failure notwithstanding repeated warnings to appreciate the gravity of their misconduct and the consequent necessity for its prompt and adequate punishment," amounts substantially to a denial that any grave abuses existed, or that there was any necessity to punish anyone. He seems to still think the "explanations" furnished him by Mr. Beavers were true in fact and sufficient if true, and that no thorough investigation of their subject-matter was needed. His letter shows, to our minds, not only that *there was*, as we said, a failure on his part while in office to appreciate the gravity of the situation disclosed by the warnings he received, but that he yet fails to appreciate this situation.

He alleges that our conclusion as to the practice of assigning "laborers" to do "classified" work would lead logically to wholesale discharges in all the Departments, and perhaps to the removal of every member of the present Cabinet. It may be well to restate, very briefly, what we said in this connection.

Rule XIII of the civil-service rules in force while Mr. Smith was Postmaster-General included the following provision:

No person who is appointed as a laborer or workman without examination under the civil-service rules shall be assigned to work of the same grade as that performed by classified employees.

Rule II, clause 1, then in force was as follows:

Any person in the executive civil service of the United States who shall willfully violate any of the provisions of the civil-service act or any of these rules shall be dismissed from office.

It was alleged in Mr. Tulloch's "charges," shown in the inspectors' reports, which had been submitted to Mr. Smith, and virtually admitted by all concerned, that while he was Postmaster-General "persons in the executive civil service of the United States" *had* "assigned persons appointed as laborers" in the Washington post-office "to work of the same grade as that performed by classified employees," with the evident and deliberate purpose to avoid filling the positions in question through competitive examination.

We were instructed to report on the facts developed in connection with the Tulloch charges "in their legal aspect." In the discharge of

this duty we said, in substance, that these "laborers" were so "assigned" to "classified" work in plain and willful violation of the rules, and that the officers responsible for such assignment were liable, under the rules, to dismissal from the service. We respectfully repeat this statement of our opinion.

Since the presentation of our original report our attention has been called to various published statements which disclosed serious misapprehensions as to its scope and purport. While these erroneous conjectures might be probably corrected by its mere publication, should this be deemed advisable, we think, nevertheless, that in one respect at least, we ought to remove any possible ground for misunderstanding. It has been stated by several newspapers of good standing and extensive circulation, professedly upon authority which their respective editors deemed trustworthy, that our report "virtually" or "practically" or "in substance" *demand*ed the resignation of certain public officials, or action of some kind on the part of the President or some heads of Departments.

It was no part of our duty, as fixed by your instructions, to consider any matters of administrative discretion, and we have not undertaken to deal at all in either the original report or this supplement with possible consequences to individuals in the public service which might ensue from the adoption of the conclusions submitted in our original report, should these conclusions commend themselves to the President. To determine whether a public officer should be removed or requested to resign, requires a fair consideration of the value of his services to the Government as indicated by his entire official career; and our information was insufficient to justify us in recommending such action with respect to any of the officers criticised in our original report, even if we had felt authorized to do so by the terms of your orders.

To illustrate our meaning, we may refer more specifically to what is said of Comptroller Tracewell in our original report. It seemed to us a matter requiring serious comment that this officer had felt himself justified in allowing certain payments which he considered not only "irregular," but in all probability "wrongful;" that is to say, made with knowledge on the part of those responsible that they were improper and even unlawful, because he seems to have believed (erroneously in point of fact) that this "irregular" and "wrongful" appropriation of public money had received the sanction of two Cabinet officers. Such action on his part is indeed consistent not only with personal integrity, but with devotion to the public interest; nevertheless, it seems to us to involve the adoption of unsound and dangerous, or, as we expressed it, "lax and arbitrary" principles in the administration of his office.

Such principles appear to us exceptionally undesirable for a Comptroller, in our view of the law, the Comptroller is, in last resort, an officer peculiarly charged with the duty of preserving to the legislative branch of the Government an effective and practical control over the public purse. We regard it as evidently an essential principle of our National Government that Congress shall determine for what purposes the Federal revenues shall and shall not be expended; and if the authority or example of executive officers, of whatever rank, should be permitted to nullify the expression of the legislative will in these respects, the insidious practice might readily grow into an abuse of grave moment. Entertaining these views, we recommended in our original report that a small commission of experts be appointed to consider

possible reforms in the practice and relations *inter sese* of the several auditing officers of the Government; and there our recommendations as to this matter stopped.

We have cited the case of the Comptroller by way of illustration only, and deem it needless and inadvisable to refer to other officers whose names have been mentioned in connection with supposed, but imaginary, recommendations of our original report. While cheerfully assuming full responsibility for both the conclusions and the actual recommendations of that report, we regard it as a matter of justice to ourselves, as well as possibly to others, to call attention to the fact that we have not made suggestions which were required neither by your instructions nor by the scope of the duty imposed upon us.

All whereof is very respectfully submitted.

HOLMES CONRAD,  
CHARLES J. BONAPARTE,  
*Special Assistants to Attorney-General.*

*Letter of Hon. L. M. Shaw to the President relative to Comptroller Tracewell and Auditor Castle.*

TREASURY DEPARTMENT,  
Washington, October 9, 1903.

The PRESIDENT:

Pursuant to your request for suggestions relative to Comptroller Tracewell and Auditor Castle, I beg to submit:

Mr. Castle's resignation was received yesterday, and by your verbal authority accepted. For this reason it is not necessary to discuss his relation to the post-office matters recently investigated.

As soon as the Tulloch letter was published, I personally investigated the connection of Judge Tracewell with the matters involved. I then reached the conclusion that he had passed a few improper payments. I was convinced, however, that it was an error in judgment, and the amounts were very small. I went over the whole matter with Mr. Gilmer, and I became convinced that this gentleman was seeking to embarrass the Department and his former chief. He injected into his examination every possible insinuation, and was wanting in that measure of frankness which is important in all these matters.

Immediately following your suggestion of the possible restoration of Mr. Gilmer, I investigated the matter with greater care, and personally saw the following persons who have had experience with him:

Mr. Robert L. West, formerly law clerk in the Office of the Auditor for the Interior Department, says of him: "He has an abrupt manner in coming in contact with people that has sometimes caused trouble." He speaks of his having had trouble in the Department of Justice. He further says, "I think it would be unwise to put him where he would come in contact with people, and I would not like to be responsible for the consequences."

Mr. S. H. Bond, of the appointment division, details an incident where he thought Mr. Gilmer exhibited a "want of official courtesy." He says that subsequently Mr. Tracewell made an explanation to Mr. Lyman, his chief. Mr. Lyman reported the incident, and rejected Mr. Tracewell as making the remark that the disposition to be abrupt was characteristic of Mr. Gilmer's dealings with outside offices.

Mr. James T. Petty, ex-auditor of the District, says, "Mr. Gilmer has an unfortunate manner. His manner is very offensive. He came at me as though I were a thief."

Mr. Edward A. Moseley, secretary of the Interstate Commerce Commission, says:

I believe Mr. Gilmer to be a very faithful public servant, but if you purpose appointing a man to a position where he will be required to meet people and you want to keep out of hot water, I wouldn't advise the appointment of Mr. Gilmer.

I inclose herewith a somewhat more detailed statement of these witnesses as taken down in my office, and also a petition in the Court of

Claims, *Edward A. Moseley v. The United States*, prosecuted, if I am rightly advised, by Mr. Holmes Conrad. Mr. Moseley told me, as he was leaving the office, that Mr. Conrad made unfavorable comment to him with reference to the technical absurdity of Mr. Gilmer's position. For instance, he rejected vouchers signed by S. P. Langley, Secretary of the Smithsonian Institution, because there was no proof that S. P. Langley was Secretary of the Institution. There were a large number of other complaints of that character.

As nearly all the criticisms of Mr. Tracewell relate to differences between him and Mr. Gilmer, and as Mr. Gilmer is manifestly an unsafe custodian of any man's official reputation, I think the Comptroller should be exonerated.

In this connection I want to suggest that the auditing department can not be held responsible for the actual rendition of services or delivery of goods. Let me illustrate. A voucher comes regularly through the post-office for a quantity of coal. The auditing department can not determine whether the coal was delivered or not. A voucher comes in regular form for compensation to railroads for transportation of mail. The auditing department can not be responsible for the correct weighing of mail. The employment of a laborer is certified and a voucher submitted for his services. The auditing department can not determine whether the services were actually rendered or not. Any other conclusion would necessitate a perpetual investigation of every transaction of all executive departments of Government. In fact, the Court of Claims has allowed compensation for an employee who admittedly rendered no services, but was ever ready and willing to render the services.

I think this further statement is due Mr. Tracewell. I have been in this office for twenty months, during which time I have had occasion to study Mr. Tracewell at close range. I have never detected any trace of yellow, not any indication that he was wanting in sterling integrity. During the last year Mr. Tracewell's office passed upon 160,000 warrants, covering \$3,700,000,000. He disposed of 1,200 appeals and rendered 1,300 written opinions. That he may have occasionally erred in judgment he will not seek to deny. That he has erred from the path of strictest integrity no one has yet presumed to charge.

Very sincerely, yours,

J. N. SPAW.

*Letter of Hon. Charles Emory Smith relative to report of Messrs. Bonaparte and Conrad on the so-called Tulloch charges.*

OCTOBER 12, 1903.

**The PRESIDENT:**

A copy of the report of Messrs. Conrad and Bonaparte on the so-called "Tulloch charges" has been placed in my hands. The scope of the report includes much more than these charges; but, so far as it concerns me, it is limited to two references, viz:

First. That the responsibility for the entrance of certain persons to the classified service through the doorway of new free-delivery offices, followed by transfer to the Washington office, "extends in some measure to the late Postmaster-General, who appears to have at least tolerated the practice after notice of its existence."

Second. That with regard to the alleged irregularities covered by the Tulloch charges and those directly responsible for them there was on my part a "seeming failure, notwithstanding repeated warnings, to appreciate the gravity of their misconduct and the consequent necessity for its prompt and adequate punishment."

The first reflection, so far as it concerns me, was fully answered in my letter of July 14, 1903, to the Postmaster-General. It was therein shown that the "practice" referred to, when it became understood, was stopped by my order; that the Civil Service Commission was notified of that order, and that the records proved that the order was effective. The Conrad-Bonaparte report entirely disregards the facts thus presented.

Another fact indicates whether the allusion is warranted. The letter of Mr. Procter stated that this "practice" was twice called to the attention of President McKinley—first on June 20, 1898, and again on June 11, 1900—and that he was asked to modify the rule under which it occurred. He took no step except through the subsequent action of the Postmaster-General. If the declaration as to "appearing to have at least tolerated the practice after notice of its existence" and what is implied in it is justifiable, it is broader in its sweep than the Conrad-Bonaparte report intended. Nobody believes that President McKinley knowingly "tolerated" any wrong; everybody believes that he had good reasons for what he did; and the mere statement of the truth shows how inconsiderately and carelessly the report makes its deductions without regard to the real facts.

Respecting the second reference, relating to the Tulloch charges, I have this to say: Mr. Tulloch's oral representations to me are said to have been made July 3, 1899. On July 6, 1899, Inspector-in-Charge William B. Smith filed a "confidential report" on the Washington office, which was at once submitted to me by Fourth Assistant Bristow. This report is the most specific and complete formulation of the so-called Tulloch charges which has ever been made. It bears

internal evidence of having been prepared in collaboration with Tulloch, and an examination of all papers makes it clear that both Tulloch's statements and the Smith report were derived in large part from the letter of inquiry addressed by the Comptroller of the Treasury to the postmaster of Washington, setting forth matters in the accounts of that office which appeared to him to call for explanation.

The inspector's report in like manner set forth what, without an understanding of all the facts, seemed irregular. It was immediately analyzed, itemized, and subjected to examination. Through this examination all the matters specified were explained except those relating to appointments, which altogether cover 13 clerks and 7 cleaners, and even some of these were not open to question. When the examination determined what was justifiable and what was not, directions were given and steps taken that the things which were irregular should be corrected. A careful reading shows that the Conrad-Bonaparte report does not indicate anything specified in the Tulloch charges or the inspector's report which was not either explained or stopped.

It may be asked, Does not the report of Inspector Little, made July 31, 1900, a year later, show, not the same, but other irregularities of similar character? This report relates wholly to persons on the roll of the Washington office, but detailed to work outside or whose service in the office was questionable. The first three names on the list are those of persons enrolled as bookkeepers who were detailed to install, inspect, and repair canceling machines as a part of the arrangement by which I saved \$100,000 a year to the Government by reducing the rental of canceling machines, agreeing at the same time that the Department would take care of the machines. The inspector knew nothing of the arrangement, and the authors of the Conrad-Bonaparte report didn't take the trouble to inquire.

Another name is that of Dorothy Lamon, detailed at the Paris Exposition. She was a clerk in the Interior Department, was transferred, and then detailed to attend the Post-Office exhibit. This was done on the urgent request of Hon. Joseph G. Cannon, who stated that Mrs. Lamon was connected with Lincoln's friend, Ward Lamon; that she spoke French well, and was peculiarly qualified. Mr. Cannon was perfectly right, and the detail was perfectly legitimate, legally and ethically.

Still another name is that of E. C. Fowler, set forth as ~~unable to perform satisfactory service~~. Fowler had been a chief clerk in the Department, had become disabled by age, could not be removed, was transferred to light work which he could do, and afterwards. That is all there is of this case.

These are specimen cases within my knowledge. I do not pretend to know about all, but the Little report was referred to the proper officer for review and rectification.

Without going into further detail, I have stated enough to show that the reference of the Conrad-Bonaparte report to "seeming failure notwithstanding repeated warnings," is made without knowledge is wholly gratuitous and unfounded.

I ought to add that the "Tulloch charges" were a matter of paper publication in 1900, and that I then reported the facts had been done to President McKinley and the Cabinet.

The Conrad-Bonaparte report gives as an opinion that "the employment of 'laborers' to do clerical work is altogether illegal,"



every officer responsible for such employment should have been dismissed from office." This practice, as is well known, prevails necessarily under existing conditions in every Department, and if the conclusion of the report were to be accepted you would have to dismiss every member of your Cabinet, and you, Mr. President, would be condemned for "tolerating the practice."

There is a wide difference between irresponsible censors and responsible administrators.

Very respectfully, yours,

CHARLES EMORY SMITH.

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